AR37

Power Corporation of Canada, Limited

Annual Report 1969

Board of Directors

Wilbrod Bherer, Q.C.
Chairman
Canadian Vickers Limited

Alfredo Campo
Chairman of the Board
Petrofina Canada Ltd.

Peter D. Curry
Chairman of the Board
The Investors Group

*Paul Desmarais
Chairman and Chief Executive Officer
of the Corporation

D. E. Kerlin
Consultant

W. G. E. Lannaman, C.A.
Vice-President and Secretary-Treasurer
of the Corporation

W. Earle McLaughlin
Chairman and President
The Royal Bank of Canada

*A. D. Nesbitt
Chairman
Nesbitt, Thomson and Company Limited

*Jean Parisien, C.A.
Executive Vice-President
of the Corporation

J. M. Seabrook
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International Utilities Corporation

Arthur Simard, Q.C.
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Marine Industries Limited

*P. N. Thomson
Deputy Chairman of the Corporation

*W. I. M. Turner, Jr.
President of the Corporation

W. Howard Wert, C.A.
Chairman
Warnock Hersey International Limited

*Members of the Executive Committee

Honorary Directors

R. R. Moodie

Jas. B. Woodyatt

Officers

Paul Desmarais
Chairman and Chief Executive Officer

Peter N. Thomson
Deputy Chairman

W. I. M. Turner, Jr.
President

Jean Parisien, C.A.
Executive Vice-President

Paul B. Paine, Q.C.
Vice-President and General Counsel

W. G. E. Lannaman, C.A.
Vice-President and Secretary-Treasurer

A. F. Knowles, C.A.
Vice-President and Comptroller

C. C. Frenette
Vice-President

Paul E. Martin
Vice-President

Yves Morin, C.A.
Assistant Secretary-Treasurer

Directors' Report

General Comments

Your Directors take pleasure in submitting the 45th annual report together with the consolidated financial statements of the Company, which include the accounts of its wholly owned investment subsidiaries, Trans-Canada Corporation Fund, Shawinigan Industries Limited and Power Corporation International Limited for the year ended December 31, 1969 and the Auditors' report thereon.

The balance sheet has been presented with our investment in subsidiary companies shown on an equity basis while the statement of consolidated earnings is in a form reflecting our share of the earnings of operating subsidiary companies (except The Imperial Life Assurance Company of Canada) for that portion of the year during which each was a subsidiary. In our view, this method of presentation more clearly discloses the financial position of the Company than would a consolidation of its assets and liabilities together with those of its operating subsidiaries.

The consolidated net earnings available for the common and participating preferred shares amount to $6,337,329 which is equal to 85.7 cents per share. Dividends on the common and participating preferred shares were paid at the quarterly rate of 11 cents per share established in 1966.

During 1969, the make-up of your Company's assets was substantially altered. At the date of this report, approximately two-thirds of the total assets are invested in operating subsidiary companies; at the end of the year 1968, the comparable investment was somewhat less than 40%. Further, the distribution of investment in operating subsidiaries brings into emergence three major areas or groupings of participation. The percentage of investment of total assets in the subsidiaries in these groupings represents $72 million or 27% in the case of industrial companies, $37 million or 14% in real estate, $76 million or 28% in finance.

In addition to its investment in subsidiaries engaged in the operating areas mentioned above, your Company retains investments of approximately $70 million in non-subsidiary corporations which predominantly fall into the industrial classification.

Following are brief comments on the operating subsidiaries, major non-subsidiary holdings and material transactions effected in the past year. Should more information be sought on individual companies, it is suggested that shareholders obtain copies of the Annual Reports of those companies.

Operating Subsidiaries

Industrial Group

Canada Steamship Lines, Limited
This company, 50.5% owned, became a subsidiary in April 1969 as a result of the sale by your Company to Canada Steamship Lines of Provincial Transport Enterprises Ltd. for 400,000 common shares of treasury stock and a cash payment of $3,820,000.

The earnings for 1969 are $2.50 per common share compared with $2.61 in 1968. Dividends paid in 1969 continued without change at $1.30 per share. The decline in earnings reflected reduced grain movements, a slowdown in activity in the shipyard operations and strikes in the iron ore and steel industry.

The settlement of these protracted labour disputes should assist in providing stability in the forthcoming year while shipyard activity will necessarily be affected by the state of the domestic economy. The outlook for land transportation operations continues to be good.

Dominion Glass Company, Limited
The operations of this 62% owned company, during the second year of its planned expansion and renovation programme, continued to show improvement as reflected in the earnings of $1.14 per share in 1969, a considerable increase over 1968 of 85 cents per share.

These results were attained despite productive capacity limitations and a five-week strike at the Wallaceburg plant. The company's return on average equity at 7.9% is still significantly below North American glass industry standards. Recent improvements in plant facilities together with the planned start-up of the new plant in Bramalea, Toronto, late in 1970 will progressively add to the company's manufacturing capacity for glass containers and should improve its future operating results.

Real Estate Group

Campeau Corporation Limited
Campeau, a large real estate development corporation now 54% owned, became a subsidiary in January 1970 as a result of a transaction involving the exchange of our holdings in Canadian Interurban Properties Limited, Blue Bonnets Raceway Inc., Trans-Canada Realties Co. Ltd. and Show-Mart Inc., for Campeau common shares and the purchase of additional such shares for cash. Notes payable by Blue Bonnets Raceway to your Company were exchanged for a Campeau note in equivalent amount. The latter note is convertible into 748,160 Campeau common shares. In addition, your Company subscribed for 1,000,000 Class "B" voting shares of Campeau at a total price of $200,000.

On March 31, 1970, Campeau made an offer to the remaining common shareholders of Canadian Interurban to acquire their common shares on the same exchange basis as the transaction made with your Company.

The merging of these companies has brought together an experienced real estate management group and provides a broad base for further development.

The 1969 earnings of Campeau Corporation were 33 cents per share. Earnings of Canadian Interurban Properties Limited, Blue Bonnets Raceway Inc. and the other companies transferred to Campeau Corporation Limited were generally comparable with those of the previous year.

Financial Group

The Investors Group
This Winnipeg-based financial organization, the largest Canadian mutual funds manager and distributor, is now 50.3% controlled. In addition, Imperial Life holds 900,000 or 13.8% of Investors' outstanding common shares. Investors became a subsidiary in February 1970, as a result of a series of transactions effected over the last several months. The transactions leading to the acquisition of control are summarized as follows:

a) In early 1969, Investors obtained control of The Great-West Life Assurance Company. Your Company participated in the accomplishment of that transaction and subscribed for 1,150,202 common shares of Investors' treasury stock.

b) In January 1970, a further 1,093,478 Investors' common shares were obtained in exchange for a like number of your Company's common shares issued from its treasury.

c) Finally, in February 1970, 1,028,400 Investors' common shares were acquired in exchange for 420,000 common shares of Northern and Central Gas Corporation Limited, 241,900 6% preferred shares of Consolidated-Bathurst Limited and cash.

Investors' consolidated earnings for the year 1969, including its proportionate share of the earnings of the Great-West Life Assurance Company for the period during which the latter was a subsidiary, were 73 cents per common share, compared with 72 cents in 1968.

Laurentide Financial Corporation Limited
A further $2,700,000 was invested in this company during the year, bringing our common share holdings to approximately 54% of the total outstanding. This injection of capital, together with improved earnings, enabled Laurentide to pay its preferred share dividends arrears and to commence and maintain payment of dividends on such shares on a current basis. The company's fiscal year has been changed to December 31st to coincide with that of your Company, and the earnings for the six-month period ended December 31, 1969 amounted to 25 cents per common share.

Laurentide owns over 95% of the common and second preference shares of Union Acceptance Corporation Limited as a result of cash transactions made during 1969 and early 1970. It is expected that closer integration of the operations of Laurentide and Union Acceptance will result in more efficient service for those companies' customers and improved operating results for shareholders.

The Imperial Life Assurance Company of Canada
The earnings of this 51% owned company are included in the accounts of your Company only to the extent of dividends received.

Insurance in force now amounts to $2.7 billion representing an increase of 16% over 1968. The net rate of interest earned on Canadian investment income was 6.22% before taxes.

The year 1969 was another record year for the company which has continued to show strong leadership in its field.

Major Non-Subsidiary Companies

Earnings of Consolidated-Bathurst Limited for 1969 were $1.40 per common share compared with $1.36 in 1968.

On March 3, 1970, your Directors announced that your Company would make a formal share exchange offer to the common shareholders of Consolidated-Bathurst. Particulars in this respect are set forth fully in the formal Offer which has been forwarded to Consolidated-Bathurst shareholders; copies of the Offer will be made available to shareholders upon request.

A special meeting of shareholders was held on April 8, 1970 and the creation of 10 million additional common shares was approved as the presently authorized capital of your Company is not sufficient should all the shares of Consolidated-Bathurst be tendered.

Northern and Central Gas Corporation Limited earnings were 81 cents per common share for the year 1969, compared with $1.01 in 1968.

The continued high cost of money, the uncertainties concerning the impact of the Canadian White Paper on Taxation and the consequent unsettled market conditions in combination have forced the company to make major cutbacks in its capital expenditure programme for 1970. In order to supplement its cash resources, in March, the company placed 1,325,000 shares of its common stock in the New York market, at the same time applying for listing on the New York Stock Exchange. For the same purposes, the company has arranged for medium term funds through the sale of income debentures. These measures have markedly strengthened the company's financial position.

Inspiration Limited was placed in civil receivership in January 1970, when its financial circumstances had become such that further shareholder support could not be justified. Your Company has written off its investment in this company and has made full provision in the accounts to cover any contingent commitments.

During the course of the year, it was deemed advisable by the Directors to have your Company divest itself of its holdings in the field of communications. We therefore arranged for the disposal of our investments in Radio Station CKAC Montréal and Télémédia Inc. (subject, in each case, to Canadian Radio and Television Commission approval) and sold an income debenture of Gesca Ltée. Further, as arranged prior to the end of the year, our interest in North America Cinema Centres Ltd. was disposed of on March 24, 1970.

During the year, our holdings of Consolidated-Bathurst Limited, 1966 series, warrants were sold. On February 3, 1970, our total holding of Canadian Industrial Gas and Oil Ltd. preferred shares was sold by means of a secondary offering on the Toronto Stock Exchange. Finally, a private placement was arranged for our share investment in Chemcell Limited on March 12, 1970.

Conclusion

The results of the various transactions described has been the reduction in the number of our direct investments from 21 on December 31, 1968 to 13 at the date of this report.

The commencement of the new decade finds your Company entering upon a new phase in its operations. It has largely concluded its transition from an investment company to an operating company. Accordingly, its efforts may now be directed to providing effective assistance toward reaching their full potential, to the various components of the industrial, real estate and financial areas in which its major interests lie.

It is with deep regret that we record the untimely death of our director, Mr. Donald J. McParland. His wise counsel will be missed indeed.

The Directors wish to record their sincere appreciation of the services rendered during the year by all officers and employees.

Chairman and Chief Executive Officer

President

Montreal, April 8, 1970

Investments
April 1970

Operating Subsidiaries

Industrial Group

Canada Steamship Lines, Limited
- Provincial Transport Enterprises Ltd.
- Kingsway Transports Limited
- Davie Shipbuilding Limited

Dominion Glass Company, Limited

Liverpool Plains Pastoral Co. Pty. Ltd.

Real Estate Group

Campeau Corporation Limited
- Canadian Interurban Properties Limited
- Blue Bonnets Raceway Inc.
- Gagnon et Frères de Roberval Ltée

Financial Group

The Imperial Life Assurance Company of Canada

Laurentide Financial Corporation Ltd.
- Elite Insurance Company
- Union Acceptance Corporation Limited
- Laurentide Acceptance Corporation Ltd.

The Investors Group
- Investors Syndicate Limited
- Investors Group Trust Co. Ltd.
- The Great-West Life Assurance Company
- Investors Securities Management Ltd.
- The Western Savings and Loan Association

Portfolio

Common Shares

American District Telegraph Company
Argus Corporation Limited
Consolidated-Bathurst Limited
Northern and Central Gas Corporation Limited

Preferred Shares

Consolidated-Bathurst Limited

Notes and Debentures

Consolidated-Bathurst Limited
Télémédia (Québec) Ltée
Warnock Hersey International Limited

Statement of Consolidated Earnings

for the year ended December 31		1969		1968 (note 1)
Income				
Share in earnings of subsidiary companies (note 1)	$ 7,147,230		$ 1,899,181	
Other income from subsidiary companies	1,299,677		2,427,316	
Income from other investments	6,810,504	$ 15,257,411	6,925,821	$ 11,252,318
Management and general expenses	1,927,022		1,395,869	
Less: Management fees received	316,531		291,802	
	1,610,491		1,104,067	
Debenture and other interest	3,279,806	4,890,297	2,008,571	3,112,638
Consolidated earnings for the year		10,367,114		8,139,680
Less: Dividends on non-participating preferred shares (note 5)		4,029,785		3,010,145
Consolidated earnings for the year available for 6% participating preferred and common shares		$ 6,337,329		$ 5,129,535

Notes to consolidated financial statements are an integral part of this statement.

Statement of Consolidated Retained Earnings

for the year ended December 31	**1969**	1968 (note 1)
Retained earnings beginning of year (note 1)	$120,794,623	$ 84,743,305
Add:		
Consolidated earnings for the year available for 6% participating preferred and common shares	6,337,329	5,129,535
Increase in equity in subsidiary companies arising from gain on disposal of assets (note 1)	1,273,068	191,721
Net gain realized on disposal of investments	3,762,444	22,925,773
Miscellaneous credits – net	24,392	127,470
	132,191,856	113,117,804
Deduct:		
Office furniture and improvements to leased premises	249,984	149,268
Expenses of share exchange offer		450,940
Appropriation (reversal) to reduce cost of certain investments (Inspiration Limited in 1969)	4,741,860	(11,530,000)
Dividends		
6% non-cumulative participating preferred shares	525,611	525,611
Common shares	2,727,369	2,727,362
	8,244,824	(7,676,819)
	123,947,032	120,794,623
Less:		
Excess of cost of shares in wholly owned investment subsidiaries over their book values at dates of acquisition	5,580,880	6,046,312
Retained earnings end of year	$118,366,152	$114,748,311

Notes to consolidated financial statements are an integral part of this statement.

Consolidated Balance Sheet

as at December 31	**1969**	1968 (note 1)
Assets		
Investments		
Quoted securities – at cost (market value – 1969, $90,101,393; 1968, $135,656,614)	$ 95,131,156	$135,681,223
Unquoted securities – at cost (note 2)	10,412,996	23,055,241
Subsidiary companies – (note 1)	153,939,734	92,889,731
	259,483,886	251,626,195
Advances to trustees of share option and stock purchase plans (note 3)	836,717	934,076
Short term notes and deposits – at cost which approximates market	6,968,100	12,732,100
Cash and receivables	2,351,602	3,113,016
	$269,640,305	$268,405,387

On behalf of the Board of Directors
P. N. Thomson, Jean Parisien

	1969	1968 (note 1)
Liabilities		
Current		
Bank loans (secured)	$ 12,005,131	$ 8,000,000
Accounts payable	2,506,112	5,079,916
Secured income debentures	10,000,000	11,500,000
Debt maturing within one year (note 4)	7,950,000	1,335,000
	32,461,243	25,914,916
Long term debt (note 4)	18,357,000	27,131,000
Minority interest	3,500,000	3,500,000
Shareholders' Equity		
Capital stock – preferred (note 5)	84,277,210	84,432,820
Capital stock – common (note 5)	12,678,700	12,678,340
Retained earnings	118,366,152	114,748,311
	215,322,062	211,859,471
	$269,640,305	$268,405,387

Notes to consolidated financial statements are an integral part of this statement.

Auditors' Report

The Shareholders,
Power Corporation of Canada, Limited

We have examined the consolidated balance sheet of Power Corporation of Canada, Limited and consolidated subsidiary companies as at December 31, 1969 and the statements of consolidated earnings, of consolidated retained earnings and of changes in consolidated net assets for the year then ended. For Power Corporation of Canada, Limited and those subsidiaries of which we are the auditors, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. With respect to those subsidiaries of which we are not the auditors, we have relied for purposes of these statements on the reports of such other auditors.

In our opinion, based upon our examination and the reports of the other auditors referred to above, these consolidated financial statements present fairly the financial position of the company as at December 31, 1969 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied, except for the change to the equity principle of accounting referred to in note 1, on a basis consistent with that of the preceding year.

Touche Ross & Co.
Chartered Accountants

Montreal, March 24, 1970

Statement of Changes in Consolidated Net Assets

for the year ended December 31		1969		1968 (note 1)
Shareholders' equity – beginning of year		$211,859,471		$135,528,930
Difference between book value and market value of investments		13,157,543		(3,819,579)
Net assets – beginning of year		225,017,014		131,709,351
Increase resulting from:				
Consolidated earnings for the year available for 6% participating preferred and common shares	$ 6,337,329		$ 5,129,535	
Net gain realized on disposal of investments	3,762,444		22,925,773	
Increase in equity in subsidiary companies arising from gain on disposal of assets	1,273,068		191,721	
5% preferred shares of $12 par value issued in exchange for shares of Trans-Canada Corporation Fund			49,641,720	
Miscellaneous credits – net	192,881	11,565,722	(219,404)	77,669,345
		236,582,736		209,378,696
Decrease resulting from:				
Dividends on 6% non-cumulative participating preferred shares	525,611		525,611	
common shares	2,727,369		2,727,362	
Purchase price of 4¾% preferred shares acquired for cancellation	108,291		484,144	
Expenses of share exchange offer			450,940	
Excess of cost of shares in an investment subsidiary over its book value at date of acquisition			8,680,747	
Appropriation (reversal) to reduce cost of certain securities (Inspiration Limited in 1969)	4,741,860		(11,530,000)	
Change in unrealized appreciation of investments	32,151,627 ←	40,254,758	(16,977,122)	(15,638,318)
Net assets – end of year		$196,327,978		$225,017,014

Notes:

1 Summary of changes in investments:

Book value – beginning of year		$251,626,195		$157,283,739
Reversal of appropriation to reduce cost of certain securities				11,530,000
Increase in equity of subsidiary companies		(2,633,336)		(997,311)
Cost of Investments – Beginning of year		248,992,859		167,816,428
Securities purchased		39,056,744		115,090,161
		288,049,603		282,906,589
Appropriation to reduce cost of investment in Inspiration Limited		(4,741,860)		
Securities sold:				
Proceeds	37,340,735		$ 56,839,503	
Cost	33,578,291	(33,578,291)	33,913,730	(33,913,730)
Net gain realized on disposal of investments	3,762,444		22,925,773	
Cost of investments – end of year		249,729,452		248,992,859
Increase in equity of subsidiary companies		9,754,434		2,633,336
Book value – end of year		$259,483,886		$251,626,195

2 The net asset value per common share after allowing for the prior rights of holders of debentures and preferred shares is as follows: December 31, 1969, $13.59; December 31, 1968, $16.64; December 31, 1967, $12.94.

3 Dividends of 44¢ per common share were paid during each of the years 1969 and 1968 out of retained earnings.

4 Net earnings per common share for year 1969 and 1968 were 86¢ and 69¢ respectively.

Investments

as at December 31, 1969

	Notes and debentures par value	Preferred shares	Common shares: Number held	Common shares: % of out-standing	Valuation: Quoted	Valuation: Unquoted
Portfolio						
American District Telegraph			110,000	2.0	$ 3,229,600	
Argus Corporation Limited			175,484	10.4	3,114,841	
Canadian Industrial Gas and Oil Limited		165,376			4,299,776	
Chemcell Limited			1,000,000	7.5	9,500,000	
Consolidated-Bathurst Limited	$ 1,000,000	331,700	975,000	16.2	30,009,954(a)	
Northern and Central Gas Corporation Limited			2,060,000	17.6	27,295,000	
Télémédia (Québec) Ltée.	7,250,000					$ 7,250,000
The Investors Group			1,150,202	17.7	12,652,222	
Warnock Hersey International Limited	3,162,996					3,162,996
					$ 90,101,393	$ 10,412,996
Subsidiary Companies						
Blue Bonnets Raceway Inc.	6,359,358		3,400,000	68.6	$ 11,050,000	$ 6,359,358
Canada Steamship Lines, Limited		939,840	1,510,400	50.4	45,765,280	
Canadian Interurban Properties Limited			4,573,000	82.8	14,404,950	
Dominion Glass Company, Limited		11,000	1,348,344	63.2	25,827,536	
Laurentide Financial Corporation Ltd.	280,000	1,000	2,129,170	53.7	12,263,728	254,800
Liverpool Plains Pastoral Co. Pty. Ltd.	330,000Aust.		506,000	91.6		616,127
Show-Mart Inc.	4,100,000		6,500	100.0		4,950,000
Trans-Canada Realties Co. Ltd.	440,000		300	100.0		530,000
The Imperial Life Assurance Company of Canada			51,245	51.2	8,199,200	
					$117,510,694	$ 12,710,285

(a) Includes the market value of 15,000 1968 Share Purchase Warrants.

Notes to Consolidated Financial Statements

Note 1. Principles of consolidation and presentation:

The consolidated financial statements comprise the accounts of Power Corporation of Canada, Limited and its wholly-owned investment subsidiaries (Trans-Canada Corporation Fund, Shawinigan Industries Limited, Power Corporation International Limited and C.M. Investments (B.C.) Limited) and the share of the earnings and other changes in the retained earnings accounts of its other subsidiary companies on the equity principle. This principle has been applied only with respect to those companies which were subsidiaries at December 31, 1969 (excluding The Imperial Life Assurance Company of Canada) for the period of control by the Company and the 1968 financial statements (presented for comparison) have been re-stated to reflect this change in accounting principle. The Company's proportion of the profits of The Imperial Life Assurance Company of Canada are reflected in the statements of consolidated earnings only to the extent of dividends declared.

Other subsidiary companies at December 31, 1969 were: Blue Bonnets Raceway Inc. (68.6%); Canada Steamship Lines, Limited (50.4%); Canadian Interurban Properties Limited (82.8%); Dominion Glass Company, Limited (63.2%); Laurentide Financial Corporation Ltd. (53.7%); Liverpool Plains Pastoral Company Pty. Limited (91.6%); Show-Mart Inc. (100%) and Trans-Canada Realties Co. Ltd. (100%).

Investment in subsidiary companies comprises the following:

	1969	1968 (re-stated)
Quoted securities – at cost (market value – 1969-$117,510,694; 1968-$ 69,348,715)	$131,475,015	$ 56,166,563
Unquoted securities – at cost	12,710,285	34,089,832
	144,185,300	90,256,395
Increase in equity from date of acquisition of control to beginning of year	2,633,336	997,311
Changes during the year		
Earnings	7,147,230	1,899,181
Gain on disposal of assets	1,273,068	191,721
Dividends	(1,299,200)	(454,877)
	9,754,434	2,633,336
	$153,939,734	$ 92,889,731

The consolidated retained earnings at January 1, 1968 contains the following:

Consolidated retained earnings – December 31, 1967	$ 11,443,312
Consolidated investment reserve – December 31, 1967	72,302,682
Increase in equity from date of acquisition of control to December 31, 1967	997 311
	$ 84,743,305

Note 2. Unquoted securities:

These comprise a 6% note of Warnock Hersey International Limited, a shareholder, in the amount of $3,162,996 due December 31, 1974, and the Company's investment of $7,250,000 in Télémédia (Québec) Ltée.

In accordance with the terms of an agreement dated December 4, 1969, the Company agreed to sell, for its cost, certain assets and properties of Télémédia Inc. (formerly Québec Télémédia Inc.) for debentures of Télémédia (Québec) Ltée subject to the approval of the transfer of licences and shares by the Canadian Radio and Television Commission.

This transaction has been accounted for in the consolidated financial statements as though it had been completed by December 31, 1969, and the amount of the investment has thus been included in unquoted securities rather than with subsidiary companies, and no amount has been included in the statement of consolidated earnings for the Company's share of the earnings of Télémédia Inc. under the equity principle.

Note 3. Share option and stock purchase plans:

Under the terms of a Share Option Plan, options have been granted from time to time to officers and employees to purchase common shares of the Company. At January 1, 1969 there were options outstanding for the purchase of 12,750 common shares. During the year, options on 3,000 common shares were exercised and those on 1,500 common shares lapsed, leaving options on 8,250 common shares at $10.125 outstanding.

On March 20, 1967, the Company created a Stock Purchase Plan for the benefit of designated officers and employees. Such officers and employees have purchased 71,000 shares at $10 per share which the Trustees of the Plan have purchased with funds provided by the Company.

The Trustees of the Share Option and Stock Purchase Plans have sufficient shares on hand to satisfy the foregoing requirements.

Note 4. Long term debt:

	1969	1968
Power Corporation of Canada, Limited		
5½% Debentures maturing March 1, 1977	$ 4,497,000	$ 4,528,000
Trans-Canada Corporation Fund		
4% Note due May 18, 1970	7,500,000	7,500,000
6% Redeemable Convertible Debentures maturing March 1, 1977		1,678,000
6% Note due April 15, 1978, repayable $250,000 per year	4,750,000	5,000,000
6½% Redeemable Secured Debentures maturing June 1, 1980, repayable $200,000 per year	9,560,000	9,760,000
	26,307,000	28,466,000
Less: Debt maturing within one year	7,950,000	1,335,000
	$ 18,357,000	$ 27,131,000

Note 5. Capital stock:

	1969	1968
First preferred shares of $50 par value issuable in series:		
Authorized – 1,973,260 shares		
Issued – 573,260 shares 4¾% cumulative redeemable 1965 series	$ 28,663,000	$ 28,818,250
Second preferred shares of $12 par value issuable in series:		
Authorized – 10,000,000 shares		
Issued – 4,136,780 shares 5% cumulative redeemable convertible series A	49,641,360	49,641,720
Six per cent non-cumulative participating preferred shares of $5 par value:		
Authorized – 1,592,760 shares		
Issued – 1,194,570 shares	5,972,850	5,972,850
	84,277,210	84,432,820
Common shares of no par value:		
Authorized – 20,000,000 shares		
Issued – 6,198,580 shares	$ 12,678,700	$ 12,678,340

The participating preferred shares have non-detachable warrants attached exercisable for ten years entitling the holder to subscribe for one additional participating preferred share in respect of each three such shares presently held at a subscription price of $12.50 per share up to May 31, 1973, and $15 per share from that date to May 31, 1978. 398,190 such shares have been reserved for this purpose.

During the year, 3,105 first preferred shares of $50.00 par value, 1965 Series, were purchased and cancelled and as a result, both authorized and issued shares have been reduced accordingly. In addition, 30 second preferred shares of $12.00 par value Series A were converted to common shares of no par value.

Dividends on non-participating preferred shares were as follows:

	1969	1968
4¾% first preferred shares 1965 series	$ 1,362,713	$ 1,386,555
5% second preferred shares Series A	2,482,072	1,531,090
Preferred shares of subsidiary	185,000	92,500
	$ 4,029,785	$ 3,010,145

Subsequent to December 31, 1969 the Company (a) purchased for redemption and cancellation 750 first preferred shares of $50.00 par value 1965 series, and as a result, both authorized and issued shares have been reduced accordingly, (b) issued 1,093,478 common shares at $11.50 in payment of 1,093,478 common shares of The Investors Group (note 7), (c) plans to make application for supplementary letters patent to increase the authorized common share capital from 20,000,000 shares to 30,000,000 shares, (d) plans to make an offer to the common shareholders of Consolidated-Bathurst Limited to exchange 2½ common shares of Power Corporation of Canada, Limited for each common share of Consolidated-Bathurst Limited, such offer to be binding if a minimum of 2,300,000 common shares of Consolidated-Bathurst Limited are tendered.

Note 6. Remuneration:

The total remuneration received from the Company and its wholly owned Subsidiaries by Directors and Senior Officers of the Company during the year ended December 31, 1969 was $414,084 of which $284,684 was received by Directors as Directors and/or Officers. In addition, $55,600 was received by Directors of the Company from partly owned operating subsidiaries.

Note 7. Events subsequent to balance sheet date:

1 In accordance with the terms of an agreement with Campeau Corporation Limited consummated January 2, 1970, the Company:

a) acquired 3,201,100 common shares from the treasury of Campeau Corporation Limited in exchange for 4,573,000 common shares of Canadian Interurban Properties Limited on the basis of seven shares of Campeau Corporation Limited for ten shares of Canadian Interurban Properties Limited.

b) acquired 2,648,800 common shares of Campeau Corporation Limited in exchange for:
3,400,000 common shares of Blue Bonnets Raceway Inc.;
6,500 common shares of Show-Mart Incorporated, being all its authorized and issued common shares;
$4,100,000 6¾% note of Show-Mart Incorporated due July 8, 1970;
300 common shares of Trans-Canada Realties Co. Ltd., being all its issued common shares; and
$440,000 7% note of Trans-Canada Realties Co. Ltd. due August 28,1972.

c) agreed to subscribe for and to take up for $200,000, 1,000,000 Class B 3% non-cumulative redeemable voting preferred shares of Campeau Corporation Limited having a par value of 20 cents with warrants attached.

d) agreed to exchange $859,358 5½% note of Blue Bonnets Raceway Inc. due July 6, 1970 and $5,500,000 6¾% note of Blue Bonnets Raceway Inc. due November 30, 1982 for a Promissory Note or Notes of Campeau Corporation Limited aggregating $6,359,358, with interest at 6⅝% maturing December 31, 1974 convertible into common shares of Campeau Corporation Limited on December 31, 1974 at the option of the Company or Campeau Corporation Limited on the basis of one common share for each $8.50 principal amount of Promissory Notes. For this purpose Campeau Corporation Limited has reserved 748,160 common shares to cover such possible conversion.

Campeau Corporation Limited has assumed the obligation of Trans-Canada Corporation Fund to provide such funds as might be needed to pay off at maturity, November 1, 1972, the 6½% Sinking Fund Debentures Series A and B of Blue Bonnets Raceway Inc. outstanding as at February 28, 1969.

As a result of these transactions Campeau Corporation Limited became a subsidiary of the Company.

2 The Company acquired:

a) in accordance with the terms of agreements consummated January 20, 1970, 1,093,478 voting common shares of the capital stock of The Investors Group in exchange for the issue from treasury of 1,093,478 common shares of the Company, and

b) in accordance with the terms of an agreement consummated February 23, 1970, 1,028,400 voting common shares of the capital stock of The Investors Group at $12.50 per share for a total of $12,855,000, payable by the sale of 420,000 common shares of Northern and Central Gas Corporation Limited; 241,900 6% cumulative redeemable preferred shares, 1966 Series, of Consolidated-Bathurst Limited and the balance of $2,499,850 in cash.

As a result of these transactions The Investors Group became a subsidiary of the Company.

3 The Company sold its entire holdings of preferred shares of Canadian Industrial Gas & Oil Limited and common shares of Chemcell Limited on February 6, 1970 and March 6, 1970 respectively and the proceeds together with the issue of a further $1,500,000 of Secured Income Debentures of Shawinigan Industries Limited has been applied to (a) the acquisition of common shares of The Investors Group referred to in 2b above (b) the acquisition of 400,000 common shares of Campeau Corporation Limited, (c) the repayment at maturity of $4,500,000 Secured Income Debentures of Shawinigan Industries Limited and (d) the reduction of secured bank loans by a net amount of $4,000,000.

Note 8. Commitments:

The Company has guaranteed loans aggregating $4,500,000 to Inspiration Limited, in which the Company has a substantial minority interest (now written off) and formerly a subsidiary, which was placed in receivership during January, 1970. By reason of agreements made by the Receiver for the sale of certain of the assets of Inspiration Limited – but not yet consummated – management is of the view that the Company's liability in respect of its guarantees of Inspiration Limited obligations will not exceed approximately $500,000, for which provision has been made in the accounts.

Note 6. Remuneration:

Au cours de l'exercice terminé le 31 décembre 1969, les administrateurs et les hauts dirigeants de la Compagnie ont reçu de celle-ci et de ses filiales de placement à part entière une rémunération totale de $414,084 dont $284,684 ont été versés aux administrateurs en qualité d'administrateurs et/ou de dirigeants. De plus, les administrateurs de la Compagnie ont reçu $55,600 de filiales d'exploitation dont la Compagnie ne détient pas la totalité des actions.

Note 7. Evènements postérieurs à la date du bilan:

1 En vertu des termes d'une entente, effective le 2 janvier 1970, avec Campeau Corporation Limited, la Compagnie

a) a fait l'acquisition de 3,201,100 actions ordinaires non émises de Campeau Corporation Limited en échange de 4,573,000 actions ordinaires de Canadian Interurban Properties Limited à raison de sept actions de Campeau Corporation Limited pour dix actions de Canadian Interurban Properties Limited.

b) a fait l'acquisition de 2,648,800 actions ordinaires de Campeau Corporation Limited en échange de:
3,400,000 actions ordinaires de Blue Bonnets Raceway Inc.
6,500 actions ordinaires de Palais du Commerce Incorporée, total de son capital-actions ordinaires autorisé et émis;
un billet de $4,100,000 à 6¾% de Palais du Commerce Incorporée, échéant le 8 juillet 1970;
300 actions ordinaires de Les Immeubles Trans-Canada Cie Ltée, total de son capital-actions ordinaires émis; et un billet de $440,000 à 7% de Les Immeubles Trans-Canada Cie Ltée, échéant le 28 août 1972.

c) a accepté de souscrire et de prendre possession, pour un montant de $200,000, de 1,000,000 d'actions privilégiées, classe B, 3% non cumulatif, rachetables, avec droit de vote et droits de souscription, d'une valeur au pair de 20 cents chacune de Campeau Corporation Limited.

d) a accepté d'échanger un billet de $859,358 à 5½% de Blue Bonnets Raceway Inc. échéant le 6 juillet 1970 et un billet de $5,500,000 à 6¾% de Blue Bonnets Raceway Inc. échéant le 30 novembre 1982 contre un ou des billets à demande de Campeau Corporation Limited pour une somme totale de $6,359,358, portant intérêt à 6⅝%, échéant le 31 décembre 1974 et convertibles au gré de la Compagnie ou de Campeau Corporation Limited en actions ordinaires de Campeau Corporation Limited jusqu'au 31 décembre 1974 à raison d'une action ordinaire pour chaque $8.50 en principal des billets à demande. Campeau Corporation Limited a réservé 748,160 actions ordinaires aux fins de rendre cette conversion possible.

Campeau Corporation Limited a assumé l'obligation de la Corporation de Valeurs Trans-Canada de pourvoir aux fonds nécessaires au remboursement des débentures avec fonds d'amortissement, 6½%, séries A et B , échéant le 1er novembre 1972, en cours le 28 février 1969, de Blue Bonnets Raceway Inc. et ses filiales.

A la suite de ces transactions, Campeau Corporation Limited est devenue une filiale de la Compagnie.

2 La Compagnie a fait l'acquisition:

a) en vertu des termes d'ententes effectives le 20 janvier 1970, de 1,093,478 actions ordinaires, avec droit de vote, du capital-actions de The Investors Group en échange de 1,093,478 actions ordinaires non émises de la Compagnie et

b) en vertu des termes de l'entente effective le 23 février 1970, de 1,028,400 actions ordinaires, avec droit de vote, du capital-actions de The Investors Group au prix de $12.50 l'action, pour un montant total de $12,855,000 devant être payé de la façon suivante: vente de 420,000 actions ordinaires de Northern and Central Gas Corporation Limited, 241,900 actions privilégiées, 6% cumulatif, rachetables, série 1966, de Consolidated-Bathurst Limitée et le solde de $2,499,850 en espèces.

A la suite de ces transactions, The Investors Group est devenu une filiale de la Compagnie.

3 La Compagnie a vendu les 6 février 1970 et 6 mars 1970 respectivement toutes les actions privilégiées de Canadian Industrial Gas & Oil Ltd. et toutes les actions ordinaires de Chemcell Limitée qu'elle avait en portefeuille. Le produit de ces ventes, ajouté à l'émission de $1,500,000 de débentures garanties à intérêt conditionnel de Les Industries Shawinigan, Limitée a servi (a) à l'acquisition des actions ordinaires de The Investors Group mentionnées en 2(b) ci-dessus, (b) à l'acquisition de 400,000 actions ordinaires de Campeau Corporation Limited, (c) au remboursement des $4,500,000 de débentures garanties à intérêt conditionnel de Les Industries Shawinigan, Limitée venues à échéance et (d) à la réduction des emprunts bancaires garantis d'un montant net de $4,000,000.

Note 8. Engagements:

La Compagnie a garanti des emprunts, totalisant $4,500,000 de Inspiration Limited, société dans laquelle la Compagnie détient un intérêt minoritaire important (maintenant radié des comptes) et qui était antérieurement une filiale. Cette société fut mise sous tutelle en janvier 1970. En vertu d'ententes conclues par le Syndic relativement à la vente de certains actifs de Inspiration Limited—vente non consommée—les administrateurs de la Compagnie sont d'avis que la dette éventuelle pouvant résulter de ses garanties à l'égard des engagements de Inspiration Limited ne dépassera pas quelque $500,000. Une provision fut portée aux comptes de la Compagnie pour cette somme.

Note 4. Dette à long terme:

	1969	1968
Power Corporation of Canada, Limited		
Débentures à 5½% échéant le 1er mars 1977	$ 4,497,000	$ 4,528,000
Corporation de Valeurs Trans-Canada		
Billet à 4% échéant le 18 mai 1970	7,500,000	7,500,000
Débentures convertibles, rachetables, 6% échéant le 1er mars 1977		1,678,000
Billet à 6% échéant le 15 avril 1978 et remboursable à raison de $250,000 par année	4,750,000	5,000,000
Débentures garanties, rachetables, 6½% échéant le 1er juin 1980 et remboursables à raison de $200,000 par année	9,560,000	9,760,000
	26,307,000	28,466,000
Moins: Dette échéant à moins d'un an	7,950,000	1,335,000
	$ 18,357,000	$ 27,131,000

Note 5. Capital-Actions:

	1969	1968
Actions privilégiées de premier rang, d'une valeur au pair de $50, à émettre en séries:		
Autorisées – 1,973,260 actions		
Emises – 573,260 actions, 4¾% cumulatif, rachetables, série 1965	$ 28,663,000	$ 28,818,250
Actions privilégiées de second rang, d'une valeur au pair de $12, à émettre en séries:		
Autorisées – 10,000,000 actions		
Emises – 4,316,780 actions, 5% cumulatif, rachetables, convertibles, série A	49,641,360	49,641,720
Actions privilégiées participantes, 6% non-cumulatif, d'une valeur au pair de $5:		
Autorisées – 1,592,760 actions		
Emises – 1,194,570 actions	5,972,850	5,972,850
	$ 84,277,210	$ 84,432,820
Actions ordinaires sans valeur au pair:		
Autorisées – 20,000,000 actions		
Emises – 6,198,580 actions	$ 12,678,700	$ 12,678,340

Les actions privilégiées participantes portent des certificats de droits de souscription non détachables qui pourront être exercés pendant une période de dix ans. Ces droits permettent à leurs détenteurs de souscrire à une action privilégiée participante additionnelle pour trois de ces actions présentement détenues au prix de $12.50 par action jusqu'au 31 mai 1973 et de $15 par action de cette date jusqu'au 31 mai 1978. La Compagnie a réservé 398,190 de ces actions à cette fin.

Pendant l'exercice, la Compagnie a racheté et annulé 3,105 actions privilégiées de premier rang, d'une valeur au pair de $50, série 1965; le nombre des actions autorisées et celui des actions émises ont été réduits en conséquence. De plus, 30 actions privilégiées de second rang, d'une valeur au pair de $12, série A, ont été converties en actions ordinaires sans valeur au pair.

Les dividendes sur les actions privilégiées non participantes ont été les suivants:

	1969	1968
Actions privilégiées de premier rang, 4¾% série 1965	$ 1,362,713	$ 1,386,555
Actions privilégiées de second rang, convertibles, 5% série A	2,482,072	1,531,090
Actions privilégiées d'une filiale	185,000	92,500
	$ 4,029,785	$ 3,010,145

Depuis le 31 décembre 1969, la Compagnie (a) a acheté pour annulation 750 actions privilégiées de premier rang, 4¾% cumulatif, rachetables, série 1965; conséquemment le nombre d'actions autorisé et émis a été réduit, (b) a émis 1,093,478 actions ordinaires à $11.50 chacune en paiement de 1,093,478 actions ordinaires de The Investors Group (note 7), (c) se propose de demander des lettres patentes supplémentaires dans le but d'accroître son capital-actions ordinaires autorisé de 20,000,000 à 30,000,000 d'actions, (d) se propose d'offrir aux actionnaires ordinaires de Consolidated-Bathurst Limitée d'échanger 2½ actions ordinaires de Power Corporation of Canada, Limited contre chaque action ordinaire de Consolidated-Bathurst Limitée; cette offre deviendra irrévocable si un minimum de 2,300,000 actions ordinaires de Consolidated-Bathurst Limitée sont présentées pour échange.

Notes aux états financiers consolidés

Note 1. Principes de la consolidation et de la présentation:

Les états financiers groupent les comptes de Power Corporation of Canada, Limited et ceux de ses filiales de placement en propriété exclusive, (Corporation de Valeurs Trans-Canada, Les Industries Shawinigan, Limitée, Power Corporation International Limited et C.M. Investments (B.C.) Limited et la part dans les bénéfices et dans les autres éléments des comptes de bénéfices non répartis de ses autres filiales selon le principe de participation variable. Ce principe a été appliqué seulement en ce qui a trait à ces compagnies qui étaient filiales au 31 décembre 1969 (à l'exception de L'Impériale, Compagnie d'Assurance-Vie), de plus, ce principe est seulement applicable à la période de contrôle par la Compagnie. Les états financiers de 1968 (présentés pour fins de comparaison) ont été rectifiés à fin de réfléter ce changement aux principes comptables. La part des bénéfices de L'Impériale, Compagnie d'Assurance-Vie est réflétée à l'état des bénéfices consolidés jusqu'à concurrence des dividendes déclarés.

Les autres filiales au 31 décembre 1969 comprenaient: Blue Bonnets Raceway Inc. (68.6%); Canada Steamship Lines, Limited (50.4%); Canadian Interurban Properties Limited (82.8%); Dominion Glass Company, Limited (63.2%); Laurentide Financial Corporation Ltd. (53.7%); Liverpool Plains Pastoral Company Pty. Limited (91.6%); Palais du Commerce Incorporée (100.0%); Les Immeubles Trans-Canada Cie Ltée (100%).

Les placements dans les filiales se résument ainsi:

	1969	1968 (rectifié)
Titres cotés – au prix coûtant (valeur négociable 1969: $117,510,694 1968: $ 69,348,715)	$131,475,015	$ 56,166,563
Titres non cotés – au prix coûtant	12,710,285	34,089,832
	$144,185,300	$ 90,256,395
Augmentation de l'avoir depuis la date d'acquisition du contrôle jusqu'au début de l'année	2,633,336	997,311
Variations au cours de l'exercice		
Bénéfices	7,147,230	1,899,181
Gain à la disposition d'actifs	1,273,068	191,721
Dividendes	(1,299,200)	(454,877)
	$ 9,754,434	$ 2,633,336
	$153,939,734	$ 92,889,731

Les bénéfices consolidés non répartis au 1er janvier 1968 incluent ce qui suit:

Bénéfices consolidés non répartis – 31 décembre 1967	$ 11,443,312
Réserve pour placements consolidée – 31 décembre 1967	72,302,682
Augmentation de l'avoir de la date de l'acquisition du contrôle au 31 décembre 1967	997,311
	$ 84,743,305

Note 2.Titres non cotés:

Ces titres comprennent un billet à 6% d'un actionnaire, Warnock Hersey International Limited, au montant de $3,162,996 échéant le 1er décembre 1974, et la participation de la Compagnie dans Télémédia (Québec) Ltée au montant de $7,250,000.

Conformément aux termes d'une entente en date du 4 décembre 1969, la Compagnie a accepté de vendre, à son prix coûtant, certains actifs et biens de Télémédia Inc. (antérieurement Québec Télémédia Inc.) en retour de débentures de Télémédia (Quebec) Ltée. Cette transaction est sujette à l'approbation du Conseil de la Radio-Télévision canadienne quant au transfert des licences et des actions.

La Compagnie a tenu compte de cette vente aux états financiers consolidés comme si elle avait été achevée au 31 décembre 1969. Le montant de la participation figure donc parmi les titres non cotés plutôt que parmi les titres des filiales et l'état du bénéfice consolidé n'inclut aucun montant à titre de part de la compagnie dans le bénéfice de Télémédia Inc. ,selon le principe de participation variable.

Note 3. Plans d'achat d'actions et d'options sur actions:

En vertu d'un plan d'options sur actions, des options sont accordées de temps en temps aux dirigeants et employés pour leur permettre d'acheter des actions ordinaires de la Compagnie. Au 1er janvier 1969, il y avait des options en cours pour l'achat de 12,750 actions ordinaires. Pendant l'exercice, des options sur 3,000 actions ordinaires ont été levées et d'autres portant sur 1,500 actions ordinaires se sont périmées, ce qui laisse en cours des options sur 8,250 actions ordinaires à $10.125.

Le 20 mars 1967, la Compagnie a instauré un plan d'achat d'actions au profit de certains dirigeants et employés. Ceux-ci ont souscrit 71,000 actions à $10 chacune, que les fiduciaires du plan ont achetées avec des fonds fournis par la Compagnie.

Les fiduciaires des plans d'achat d'actions et d'options sur actions ont en main un nombre d'actions suffisant pour satisfaire aux besoins ci-dessus.

Placements

au 31 décembre 1969

	Billets et débentures valeur au pair	Actions privilégiées	Actions Ordinaires: Nombre en portefeuille	Actions Ordinaires: % des actions en circulation	Évaluation: Titres cotés	Évaluation: Titres non-cotés
Portefeuille						
American District Telegraph Company			110,000	2.0	$ 3,229,600	
Argus Corporation Limited			175,484	10.4	3,114,841	
Canadian Industrial Gas & Oil Limited		165,376			4,299,776	
Chemcell Limitée			1,000,000	7.5	9,500,000	
Consolidated-Bathurst Limitée	$ 1,000,000	331,700	975,000	16.2	30,009,954(a)	
Northern and Central Gas Corporation Limited			2,060,000	17.6	27,295,000	
Télémédia (Québec) Ltée	7,250,000					$ 7,250,000
The Investors Group			1,150,202	17.7	12,652,222	
Warnock Hersey International Limited	3,162,996					3,162,996
					$ 90,101,393	$ 10,412,996
Filiales						
Blue Bonnets Raceway Inc.	6,359,358		3,400,000	68.6	$ 11,050,000	$ 6,359,358
Canada Steamship Lines, Limited		939,840	1,510,400	50.4	45,765,280	
Canadian Interurban Properties Limited			4,573,000	82.8	14,404,950	
Dominion Glass Company, Limited		11,000	1,348,344	63.2	25,827,536	
Laurentide Financial Corporation Ltd.	280,000	1,000	2,129,170	53.7	12,263,728	254,800
Liverpool Plains Pastoral Co. Pty. Limited	330,000Aust.		506,000	91.6		616,127
Palais du Commerce Incorporée	4,100,000		6,500	100.0		4,950,000
Les Immeubles Trans-Canada Cie Ltée	440,000		300	100.0		530,000
L'Impériale, Compagnie d'Assurance-Vie			51,245	51.2	8,199,200	
					$117,510,694	$ 12,710,285

(a) Incluant la valeur négociable de 15,000 droits de souscription d'actions de 1968.

État des changements dans l'actif net consolidé

pour l'exercice clos le 31 décembre		**1969**		1968 (note 1)
Avoir des actionnaires au début de l'exercice		$211,859,471		$135,528,930
Différence entre la valeur aux livres des placements et leur valeur négociable		13,157,543		(3,819,579)
Actif net au début de l'exercice		225,017,014		131,709,351
Augmentation résultant de:				
Bénéfice consolidé de l'exercice disponible pour les actions privilégiées participantes, 6%, et les actions ordinaires	$ 6,337,329		$ 5,129,535	
Gain net à la disposition de placements	3,762,444		22,925,773	
Augmentation de l'avoir dans les filiales provenant de gain lors de la disposition d'actifs	1,273,068		191,721	
Actions privilégiées 5% à valeur au pair de $12 émises en échange des actions de la Corporation de Valeurs Trans-Canada			49,641,720	
Crédits divers – net	192,881	11,565,722	(219,404)	77,669,345
		236,582,736		209,378,696
Diminution résultant de:				
Dividendes				
Actions privilégiées participantes, 6% non-cumulatif	525,611		525,611	
Actions ordinaires	2,727,369		2,727,362	
Prix d'achat d'actions privilégiées, 4¾%, acquises pour annulation	108,291		484,144	
Frais d'offre d'échange d'actions			450,940	
Excédent du coût des actions d'une filiale de placement sur la valeur comptable à la date d'acquisition			8,680,747	
Affectation (restitution) pour réduire le coût de certains placements (Inspiration Limited en 1969)	4,741,860		(11,530,000)	
Variation de la valeur non réalisée de l'appréciation de placements	32,151,627	40,254,758	(16,977,122)	(15,638,318)
Actif net à la fin de l'exercice		$196,327,978		$225,017,014

Notes:

1 Sommaire des modifications apportées au portefeuille:

Valeur comptable au début de l'exercice		$251,626,195		$157,283,739
Renversement de l'affectation pour réduction du coût de certains placements				11,530,000
Augmentation de l'avoir des filiales		(2,633,336)		(997,311)
Coût des placements au début de l'exercice		248,992,859		167,816,428
Titres achetés		39,056,744		115,090,161
		288,049,603		282,906,589
Affectation pour réduire le coût du placement dans Inspiration Limited		(4,741,860)		
Titres vendus:				
Produit	$ 37,340,735		$ 56,839,503	
Coût	33,578,291	(33,578,291)	33,913,730	(33,913,730)
Gain net à la disposition de placements	$ 3,762,444		$ 22,925,773	
Coût des placements – fin de l'exercice		249,729,452		248,992,859
Augmentation de l'avoir des filiales		9,754,434		2,633,336
Valeur aux livres – fin de l'exercice		$259,483,886		$251,626,195

2 La valeur d'actif net par action ordinaire après provision pour les droits des créanciers obligataires et des détenteurs d'actions privilégiées s'établit comme suit: 31 décembre 1969, $13.59; 31 décembre 1968, $16.64; 31 décembre 1967, $12.94.

3 Des dividendes de 44¢ par action ordinaire ont été versés au cours de chacune des années 1969 et 1968, provenant des bénéfices non répartis.

4 Le bénéfice net par action ordinaire pour les exercices 1969 et 1968 a été de 86¢ et 69¢ respectivement.

	1969	1968 (note 1)
Passif		
Exigibilités		
Emprunts bancaires (garantis)	$ 12,005,131	$ 8,000,000
Comptes à payer	2,506,112	5,079,916
Débentures garanties à intérêt conditionnel	10,000,000	11,500,000
Dette à long terme échéant à moins d'un an (note 4)	7,950,000	1,335,000
	32,461,243	25,914,916
Dette à long terme – (note 4)	18,357,000	27,131,000
Part des actionnaires minoritaires	3,500,000	3,500,000
Avoir des Actionnaires		
Capital-actions – privilégié (note 5)	84,277,210	84,432,820
Capital-actions – ordinaire (note 5)	12,678,700	12,678,340
Bénéfices non répartis	118,366,152	114,748,311
	215,322,062	211,859,471
	$269,640,305	$268,405,387

Les notes aux états financiers consolidés font partie intégrante de cet état.

Rapport des vérificateurs

Aux Actionnaires,
Power Corporation of Canada, Limited

Nous avons examiné le bilan consolidé de Power Corporation of Canada, Limited et ses filiales consolidées au 31 décembre 1969 et les états du bénéfice consolidé, des bénéfices non répartis consolidés et des changements dans l'actif net consolidé pour l'exercice clos à cette date. En ce qui concerne Power Corporation of Canada, Limited et les filiales dont nous sommes les vérificateurs, notre examen a compris une revue générale des méthodes comptables et les sondages des livres et des pièces justificatives que nous avons jugés nécessaires dans les circonstances. Relativement aux filiales dont nous ne sommes pas les vérificateurs, nous nous en sommes remis à l'opinion de ces derniers.

A notre avis, et nous basant sur notre examen et sur les rapports des autres vérificateurs mentionnés précédemment, ces états financiers consolidés présentent fidèlement la situation financière des compagnies au 31 décembre 1969, ainsi que les résultats de leurs opérations pour l'exercice clos à cette date, conformément aux principes comptables généralement admis, appliqués suivant les mêmes modalités qu'au cours de l'exercice précédent, sauf en ce qui a trait au changement concernant le principe de participation variable mentionné à la note 1.

Touche Ross & Cie
Comptables Agréés

Montréal, le 24 mars 1970

Bilan consolidé

au 31 décembre	**1969**	1968 (note 1)
Actif		
Placements		
Titres cotés – au prix coûtant (valeur négociable – 1969, $90,101,393; 1968, $135,656,614)	$ 95,131,156	$135,681,223
Titres non cotés – au prix coûtant (note 2)	10,412,996	23,055,241
Filiales – (note 1)	153,939,734	92,889,731
	259,483,886	251,626,195
Avances aux fiduciaires des plans d'achat d'actions et d'options sur actions	836,717	934,076
Billets et dépôts à court terme au prix coûtant correspondant à peu près à la valeur négociable	6,968,100	12,732,100
Encaisse et comptes à recevoir	2,351,602	3,113,016
	$269,640,305	$268,405,387

Au nom du conseil d'administration:
P. N. Thomson Jean Parisien

Etat des bénéfices non répartis consolidés

pour l'exercice clos le 31 décembre	**1969**	1968 (note 1)
Bénéfices non répartis au début de l'exercice (note 1)	$120,794,623	$ 84,743,305
Ajouter:		
Bénéfice consolidé de l'exercice disponible pour les actions privilégiées participantes, 6%, et les actions ordinaires	6,337,329	5,129,535
Augmentation de l'avoir dans les filiales provenant de gain lors de la disposition d'actifs (note 1)	1,273,068	191,721
Gain net à la disposition de placements	3,762,444	22,925,773
Crédits divers-nets	24,392	127,470
	132,191,856	113,117,804
Déduire:		
Mobilier et améliorations locatives	249,984	149,268
Dépenses relatives à l'offre d'échange d'actions		450,940
Affectation (restitution) pour réduire le coût de certains placements (Inspiration Limited en 1969)	4,741,860	(11,530,000)
Dividendes		
Actions privilégiées participantes, 6% non-cumulatif	525,611	525,611
Actions ordinaires	2,727,369	2,727,362
	8,244,824	(7,676,819)
	123,947,032	120,794,623
Déduire:		
Excédent du coût des actions des filiales de placement à part entière sur leurs valeurs comptables aux dates d'acquisition	5,580,880	6,046,312
Bénéfices non répartis à la fin de l'exercice	$118,366,152	$114,748,311

Les notes aux états financiers consolidés font partie intégrante de cet état.

Etat du bénéfice consolidé

pour l'exercice clos le 31 décembre	1969		1968 (note 1)	
Revenus				
Part dans les revenus des filiales (note 1)	$ 7,147,230		$ 1,899,181	
Autres revenus des filiales	1,299,677		2,427,316	
Revenus d'autres placements	6,810,504	$ 15,257,411	6,925,821	$ 11,252,318
Administration et frais généraux	1,927,022		1,395,869	
Moins: Honoraires d'administration perçus	316,531		291,802	
	1,610,491		1,104,067	
Intérêts sur débentures et autres	3,279,806	4,890,297	2,008,571	3,112,638
Bénéfice consolidé de l'exercice		10,367,114		8,139,680
Déduire: Dividendes sur les actions privilégiées non participantes (note 5)		4,029,785		3,010,145
Bénéfice consolidé de l'exercice disponible pour les actions privilégiées participantes, 6%, et les actions ordinaires		$ 6,337,329		$ 5,129,535

Les notes aux états financiers consolidés font partie intégrante de cet état.

Placements avril, 1970

Filiales d'exploitation

Secteur industriel

Canada Steamship Lines, Limited
Entreprises Transport Provincial Ltée.
Kingsway Transports Limited
Davie Shipbuilding Ltd.

Dominion Glass Company, Limited

Liverpool Plains Pastoral Co. Pty. Ltd.

Secteur immobilier

Campeau Corporation Limited
Canadian Interurban Properties Limited
Blue Bonnets Raceway Inc.
Gagnon et Frères de Roberval Ltée

Secteur financier

L'Impériale, Compagnie d'Assurance-Vie

Laurentide Financial Corporation Ltd.
La Compagnie d'Assurances Elite
Union Acceptance Corporation Limited
Laurentide Acceptance Corporation Ltd.

The Investors Group
Investors Syndicate Limited
Investors Group Trust Co. Ltd.
La Great-West,
Compagnie d'Assurance-Vie
Investors Securities Management Ltd.
The Western Savings and Loan Association

Portefeuille

Actions ordinaires

American District Telegraph Company
Argus Corporation Limited
Consolidated-Bathurst Limitée
Northern and Central Gas Corporation Limited

Actions privilégiées

Consolidated-Bathurst Limitée

Billets et débentures

Consolidated-Bathurst Limitée
Télémédia (Québec) Ltée
Warnock Hersey International Limited

l'Investors a été obtenue en échange d'un nombre égal de nouvelles actions ordinaires de la Compagnie.

c) Enfin, en février 1970, la Compagnie a acquis 1,028,400 actions ordinaires de l'Investors en échange de 420,000 actions ordinaires de la Northern and Central Gas Corporation Limited, 241,900 actions privilégiées 6% de la Consolidated-Bathurst Limitée et une somme d'argent.

Les bénéfices consolidés de l'Investors pour l'année 1969, y compris sa part des bénéfices de La Great-West, Compagnie d'Assurance-Vie pour la période au cours de laquelle cette dernière a été une filiale, sont de 73 cents par action ordinaire en regard de 72 cents pour l'année précédente.

Laurentide Financial Corporation Ltd.
Au cours de l'année, la Compagnie a investi un montant additionnel de $2,700,000 dans la Laurentide Financial Corporation Ltd. portant son avoir en actions ordinaires à 53.7% du total émis. Cet apport de capitaux, allié à un accroissement des bénéfices, a permis à la Laurentide de payer ses arrérages de dividendes et les dividendes courants sur les actions privilégiées. La fin de l'année financière de cette compagnie a été changée au 31 décembre pour coïncider avec celle de la Compagnie. Les bénéfices pour le semestre terminé le 31 décembre 1969 se sont établis à 25 cents par action ordinaire.

Laurentide détient 94% des actions ordinaires et privilégiées de second rang de l'Union Acceptance Corporation Limited par suite de transactions au comptant effectuées en 1969 et au début de 1970. Une intégration plus étroite des activités de ces sociétés devrait apporter un meilleur service à la clientèle et un bénéfice plus élevé devrait en résulter.

L'Impériale, Compagnie d'Assurance-Vie
Les bénéfices de l'Impériale, Compagnie d'Assurance-Vie, dont la Compagnie détient 51% des actions, ne sont inclus dans l'état des profits et pertes de la Compagnie que jusqu'à concurrence des dividendes déclarés.

L'assurance en vigueur s'établit maintenant à $2.7 milliards, soit 16% de plus qu'en 1968. Le rendement des placements canadiens a été de 6.22% avant impôts.

L'Impériale qui a continué d'être un chef de file dans son champ d'activité a, au cours de l'année 1969, atteint de nouveaux sommets.

Principaux placements

Les bénéfices de la Consolidated-Bathurst Limitée en 1969 se sont établis à $1.40 par action ordinaire, comparativement à $1.36 en 1968.

Le 3 mars 1970, les Administrateurs ont annoncé que la Compagnie ferait une offre d'échange d'actions aux détenteurs d'actions ordinaires de la Consolidated-Bathurst Limitée. Le document décrivant l'offre officielle contient tous les détails relatifs à ce projet. Les actionnaires peuvent s'en procurer un exemplaire en en faisant la demande au secrétaire de la Compagnie.

Lors d'une assemblée spéciale des actionnaires tenue le 8 avril 1970, le capital autorisé de la Compagnie a été porté de 20 à 30 millions d'actions ordinaires permettant la réalisation de la transaction décrite plus haut.

Les bénéfices de la Northern and Central Gas Corporation Limited ont été de 81 cents par action ordinaire pour l'année 1969, comparativement à $1.01 en 1968.

Le coût élevé de l'argent, les incertitudes quant aux répercussions du Livre Blanc sur la Fiscalité et la situation encore instable du marché ont forcé la compagnie à effectuer des coupures importantes dans son programme d'immobilisations de 1970. Afin d'ajouter à ses ressources financières, la compagnie a placé en mars 1970, 1,325,000 actions de son capital-actions sur le marché de New York, formulant en même temps une demande d'inscription de ces actions à la Bourse de New York. La compagnie a, de plus, pris des mesures pour se procurer des fonds à moyen terme grâce à la vente d'obligations à revenu. La situation financière courante de la Northern and Central Gas Corporation Limited est donc considérablement raffermie.

Inspiration Limited a vu ses actifs mis sous séquestre civil en janvier 1970, sa situation financière étant devenue telle qu'un appui supplémentaire des actionnaires ne pouvait être justifié. Votre Compagnie a radié ce placement de ses livres et pris toutes les dispositions dans ses comptes pour faire face à tout engagement éventuel.

Au cours de l'année, il a été décidé qu'il était utile que votre Compagnie se départisse de ses avoirs dans le domaine des communications. Nous avons donc pris les mesures pour nous défaire de nos placements dans la station de radio CKAC Montréal et dans Télémédia Inc. (sous réserve, dans chaque cas, de l'approbation du Conseil de la Radio-Télévision canadienne) et avons vendu une obligation à revenu de Gesca Ltée. Nous nous sommes aussi départis de notre intérêt dans North America Cinema Centres Ltd., le 24 mars 1970.

Durant l'année, nous avons vendu nos avoirs en certificats de droits de la série 1966 de la Consolidated-Bathurst Limitée. Le 3 février 1970, nous avons liquidé notre portefeuille d'actions privilégiées de la Canadian Industrial Gas and Oil Ltd. au moyen d'une distribution secondaire à la Bourse de Toronto. Enfin, nous nous sommes départis de nos actions de Chemcell Limited, le 12 mars 1970, par un placement privé.

Conclusion

Les diverses transactions décrites ci-dessus ont eu pour effet de réduire de 21 à 13 le nombre de nos intérêts directs entre le 31 décembre 1968 et la date du présent rapport.

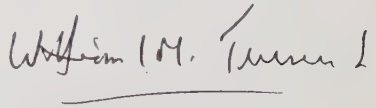
Au début de cette décennie, votre Compagnie entreprend une nouvelle phase de son histoire. Elle a terminé en grande mesure sa transition d'une société de portefeuille à une société d'exploitation. Elle peut donc, maintenant, s'intéresser plus activement aux activités de ses filiales des groupes industriel, immobilier et financier et les assister dans la réalisation de leurs objectifs.

C'est avec un sincère regret que nous signalons le décès prématuré d'un de nos administrateurs, monsieur Donald J. McParland. Ses sages conseils nous manqueront sûrement.

Les Administrateurs veulent témoigner ici leur vive gratitude envers tous les officiers et employés de la Compagnie pour leurs loyaux services.

Le président du conseil d'administration et directeur général

Le président



Montréal, le 8 avril 1970

Rapport du conseil d'administration

Considérations générales

Les Administrateurs ont le plaisir de vous soumettre le 45e rapport annuel et les états financiers consolidés de la Compagnie. Ces états financiers incluent les comptes des filiales de placement à part entière: la Corporation de Valeurs Trans-Canada, Les Industries Shawinigan, Limitée et Power Corporation International Limited, pour l'exercice terminé le 31 décembre 1969, ainsi que le rapport des vérificateurs.

Le bilan, pour permettre un exposé plus clair de la situation financière de la Compagnie, montre ses placements dans les filiales d'exploitation selon le principe de participation variable, plutôt que de présenter une consolidation des actifs et passifs de ces mêmes filiales avec ceux de la Compagnie. Quant à l'état des profits et pertes, y est inclue la part des bénéfices des filiales d'exploitation (exception faite de L'Impériale, Compagnie d'Assurance-Vie) à laquelle la Compagnie a droit, d'après le nombre d'actions participantes détenues et ce, à compter du moment où une compagnie est devenue filiale.

Les bénéfices nets consolidés, après paiement des dividendes sur les actions non-participantes se chiffrent à $6,337,329, soit 85.7 cents par action ordinaire et par action privilégiée participante. Tout comme elle l'a fait depuis 1966, la Compagnie a payé un dividende trimestriel de 11 cents par action ordinaire et par action privilégiée participante.

En 1969, la composition de l'actif de la Compagnie a changé considérablement. En date du présent rapport, environ les deux tiers de l'actif global sont investis dans des filiales d'exploitation, comparativement à un peu moins de 40% à la fin de l'année précédente. Il faut aussi signaler que la répartition des placements dans les filiales d'exploitation met en lumière trois grands secteurs d'activités. Les filiales du secteur industriel représentent un placement d'environ $72 millions, soit 27% de l'actif global investi, celle du secteur immobilier $37 millions, soit 14% et pour le secteur financier les chiffres sont respectivement $76 millions et 28%.

En plus des filiales des secteurs précités, la Compagnie a des avoirs de quelque $70 millions dans diverses compagnies qui se classent en grande partie dans le secteur industriel.

Dans les paragraphes suivants, nous avons inclus quelques renseignements pertinents au sujet des filiales, des placements majeurs et des transactions effectuées au cours de l'année. Le rapport annuel de chacune des filiales contient plus de renseignements. Les actionnaires peuvent en obtenir copie en en faisant la demande au secrétaire de ces différentes compagnies.

Filiales d'exploitation

Secteur industriel

Canada Steamship Lines, Limited
En avril 1969, la Canada Steamship Lines, Limited a acheté de la Compagnie toutes les actions émises d'Entreprises Transport Provincial Ltée en échange de 400,000 nouvelles actions ordinaires et de $3,820,000 au comptant. Cette transaction a eu pour effet de porter les intérêts de la Compagnie dans Canada Steamship Lines à 50.5% des actions ordinaires.

Les bénéfices pour l'année ont été de $2.50 par action ordinaire, en regard de $2.61 en 1968. Les dividendes payés demeurent à $1.30 par action. Le fléchissement des bénéfices est dû à une baisse dans le transport des céréales, à un ralentissement de l'activité des chantiers navals, et aux diverses grèves qui ont eu lieu dans l'industrie du fer et de l'acier.

Le règlement de ces conflits ouvriers devrait assurer une certaine stabilité dans l'année qui vient. Toutefois, les chantiers maritimes auront forcément à souffrir des conditions économiques actuelles. La situation du transport routier demeure bonne.

Dominion Glass Company, Limited
Dans la deuxième année de son programme d'expansion et de rénovation, la Dominion Glass Company, Limited propriété de la Compagnie à plus de 62%, a continué de progresser, comme en témoigne la hausse marquée des bénéfices. En effet, de 85 cents par action en 1968, ils sont passés à $1.14 en 1969.

Ces résultats ont été obtenus en dépit d'une capacité de production limitée et d'une grève de cinq semaines à l'usine de Wallaceburg. Il est à noter que le rendement de l'avoir des actionnaires à 7.9% demeure encore bien inférieur aux normes de l'industrie du verre en Amérique du Nord. Toutefois, des améliorations apportées aux installations en place, et l'ouverture d'une nouvelle usine à Bramalea, Toronto, vers la fin de 1970, augmenteront graduellement la capacité manufacturière de contenants en verre et devraient avoir d'heureux effets sur le rendement de l'exploitation.

Secteur immobilier

Campeau Corporation Limited
Campeau Corporation Limited, dont la Compagnie est propriétaire à 54%, est une importante société de mise en valeur immobilière. Campeau est devenue filiale en janvier 1970, à la suite de l'échange, par la Compagnie, de ses avoirs dans Canadian Interurban Properties Limited, Blue Bonnets Raceway Inc., Les Immeubles Trans-Canada Cie Ltée et le Palais du Commerce Incorporée contre des actions ordinaires de Campeau et concurremment, de l'achat, par la Compagnie, d'un nombre additionnel de telles actions au comptant. Des billets à payer à la Compagnie par Blue Bonnets Raceway Inc. furent échangés contre un billet de Campeau d'un montant équivalent. Ce billet peut être converti en 748,160 actions ordinaires de Campeau. De plus, la Compagnie a souscrit 1,000,000 actions de catégorie "B" donnant droit de vote, pour un prix global de $200,000.

Le 31 mars 1970, Campeau a offert aux détenteurs d'actions ordinaires de Canadian Interurban Properties Limited d'acquérir leurs actions aux mêmes conditions que celles consenties à la Compagnie.

Le fusionnement de ces sociétés forme un groupe de gestion immobilière expérimenté, et constitue un excellent point de départ à une plus grande expansion.

En 1969, les bénéfices de Canadian Interurban Properties, de Blue Bonnets Raceway et des autres compagnies devenues la propriété de Campeau ont été généralement comparables à ceux de l'année précédente.

Secteur financier

The Investors Group
Cette société, dont le siège social est à Winnipeg, est le plus important gestionnaire et distributeur canadien de fonds mutuels. La Compagnie en détient maintenant le contrôle à 50.3%. L'Impériale, Compagnie d'Assurance-Vie, détient, en outre, 900,000 actions ordinaires de The Investors Group, soit 13.8% de telles actions émises. Investors est devenue une filiale en février 1970, par suite d'une série de transactions effectuées au cours des derniers mois. Voici un résumé des transactions qui ont amené l'acquisition des intérêts majoritaires:

a) Au début de 1969, Investors acquérait La Great-West, Compagnie d'Assurance-Vie. La Compagnie, qui a participé à la réalisation de cette transaction, a souscrit 1,150,202 actions ordinaires nouvellement émises.

b) En janvier 1970, une autre tranche de 1,093,478 actions ordinaires de

Conseil d'administration

Wilbrod Bherer, C.R.
Président du conseil d'administration
Canadian Vickers Limited

Alfredo Campo
Président du conseil d'administration
Petrofina Canada Ltée

Peter D. Curry
Président du conseil d'administration
The Investors Group

*Paul Desmarais
Président du conseil d'administration
et directeur général de la Compagnie

D. E. Kerlin
Conseiller

W. G. E. Lannaman, C.A.
Vice-président et secrétaire-trésorier
de la Compagnie

W. Earle McLaughlin
Président du conseil d'administration
et président
La Banque Royale du Canada

*A. D. Nesbitt
Président du conseil d'administration
Nesbitt, Thomson et Compagnie, Limitée

*Jean Parisien, C.A.
Vice-président exécutif
de la Compagnie

J. M. Seabrook
Président du conseil d'administration
et président
International Utilities Corporation

Arthur Simard, C.R.
Président du conseil d'administration
Marine Industrie Limitée

*P. N. Thomson
Président-adjoint du conseil d'administration
de la Compagnie

*W. I. M. Turner, Jr.
Président de la Compagnie

W. Howard Wert, C.A.
Président du conseil d'administration
Warnock Hersey International Limited

*Membres du comité exécutif

Administrateurs honoraires

R. R. Moodie

Jas. B. Woodyatt

Direction

Paul Desmarais
Président du conseil d'administration
et directeur général

Peter N. Thomson
Président-adjoint
du conseil d'administration

W. I. M. Turner, Jr.
Président

Jean Parisien, C.A.
Vice-président exécutif

Paul B. Paine, C.R.
Vice-président et conseiller juridique

W. G. E. Lannaman, C.A.
Vice-président et secrétaire-trésorier

A. F. Knowles, C.A.
Vice-président et contrôleur

C. C. Frenette
Vice-président

Paul E. Martin
Vice-président

Yves Morin, C.A.
Assistant secrétaire-trésorier

Faits saillants

	1969	1968
Revenu brut	$ 15,257,411	$ 11,252,318
Frais d'administration	1,610,491	1,104,067
Intérêts	3,279,806	2,008,571
Bénéfice consolidé disponible pour les actions privilégiées participantes, 6%, et les actions ordinaires	6,337,329	5,129,535
Bénéfice par action privilégiée participante, 6%, et par action ordinaire	85.7¢	69.4¢
Dividende par action privilégiée participante, 6%, et par action ordinaire	44¢	44¢

Siège social
1, Place Ville-Marie, Montréal 113, Québec

Agents de transfert et registraires
Montreal Trust Company
Montréal, Toronto, Calgary, Vancouver

Valeurs inscrites
Actions ordinaires:
Bourses de Montréal, Toronto, Vancouver et Londres, Ang.
Actions privilégiées participantes:
Bourse canadienne
Actions privilégiées convertibles:
Bourses de Montréal et Toronto
Actions privilégiées prioritaires:
Bourses de Montréal et Toronto

Power Corporation of Canada, Limited

Rapport Annuel 1969

R37

This offer is restricted to the holders of common shares of Trans-Canada Corporation Fund and is not otherwise to be construed as a public offering.

No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

This Offer is not and under no circumstances is to be construed as an offer to any resident of the United States of America or of any of the territories or possessions thereof.

OFFER

To the holders of common shares

of

TRANS-CANADA CORPORATION FUND

by

POWER CORPORATION OF CANADA, LIMITED

The basis of this Offer is as follows:

One 5% Cumulative Redeemable Convertible Second Preferred Share Series "A" of the par value of $12.00 of Power Corporation of Canada, Limited entitled to a cash dividend at the rate of $0.60 per annum for each common share of Trans-Canada Corporation Fund.

This Offer is open for acceptance up to and including May 31, 1968.

This Offer will not be binding on Power Corporation of Canada, Limited unless and until acceptances have been received with respect to at least 51% of the common shares of Trans-Canada Corporation Fund. This condition may be waived by Power Corporation of Canada, Limited.

The formal Offer is set forth on Page 3.

(Ce document est également publié en français. La compagnie se fera un plaisir de vous en fournir une copie sur demande.)

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A Letter of Transmittal is also enclosed.

The following, the contents of which have been approved and the delivery of which has been authorized by the directors of Power Corporation of Canada, Limited, constitutes full, true and plain disclosure of all material facts relating to the Convertible Preferred Shares Series A of Power Corporation of Canada, Limited offered by it in exchange for the issued and outstanding common shares of the par value of $1.00 each of Trans-Canada Corporation Fund as required by Part IX of the Securities Act, 1966 (Ontario) and the regulations thereunder, Part X of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, Part 9 of The Securities Act (Alberta) and the regulations thereunder and Part IX of the Securities Act, 1967 (British Columbia) and the regulations thereunder.

Power Corporation of Canada, Limited

Montreal, Quebec, April 26, 1968.

To Trans-Canada Corporation Fund
and to the holders of its outstanding
common shares:

Power Corporation of Canada, Limited ("Power") hereby offers to acquire from the holders thereof all the outstanding common shares of $1 par value in the capital stock of Trans-Canada Corporation Fund ("Trans-Canada") by the payment of one 5% Cumulative Redeemable Convertible Second Preferred Share Series "A" ("Convertible Preferred Shares Series A") of the par value of $12 in the capital stock of Power for each such common share in the capital stock of Trans-Canada.

YOUR ATTENTION IS DRAWN TO PARAGRAPH 3 BELOW, WHICH IN PART STATES THAT THIS OFFER SHALL NOT BECOME BINDING ON POWER UNLESS CERTIFICATES REPRESENTING AT LEAST 51% OF THE COMMON SHARES IN THE CAPITAL STOCK OF TRANS-CANADA OUTSTANDING ON THE CLOSING DATE ARE DEPOSITED ON OR BEFORE MAY 31, 1968.

Your attention is also drawn to the fact that if this offer becomes binding on Power, holders of Trans-Canada Common Shares who accept the offer prior to May 31, 1968 will receive the regular quarterly dividend payable on such shares July 1, 1968 and dividends on the Convertible Preferred Shares Series A issued in exchange will accrue from July 1, 1968.

If this offer becomes binding on Power and has been accepted by holders of 90% of the Trans-Canada common shares, it is the intention of Power to invoke the provisions of section 48 of the Companies Act of Quebec to acquire the remaining common shares.

This offer is subject to the following terms and conditions:

1. Acceptance of this Offer may only be made by any shareholder by depositing on or before May 31, 1968 (or later date as hereinafter provided) with the Montreal, Quebec City or Toronto office of the Montreal Trust Company, the appropriate certificate or certificates representing his common shares in the capital stock of Trans-Canada and accompanied by a duly completed and signed Letter of Transmittal in the form enclosed. Such certificate(s), if registered in the name of the accepting shareholder, need not be endorsed, but the Letter of Transmittal must be executed and the execution guaranteed, all as specified in the Letter of Transmittal.

2. This Offer may be accepted by any shareholder until but not after May 31, 1968, provided that Power in its discretion (the conditions set forth in paragraph 3 having been met or waived) may from time to time extend the time for acceptance of this Offer. Any common shares represented by certificates deposited as hereinbefore provided shall be taken up by Power in accordance with the terms of this Offer or returned (by mailing the same by registered mail) to or to the order of the person depositing the same on or before June 14, 1968, if deposited on or before May 31, 1968, or within 14 days after such certificates are deposited, if deposited after the last-mentioned date.

3. This Offer shall not become binding on Power unless:

(a) Certificates representing at least 51% of the common shares in the capital stock of Trans-Canada outstanding on the closing date are deposited on or before May 31, 1968 in the manner hereinbefore provided;

(b) The business of Trans-Canada and each of its subsidiaries ("subsidiaries") shall have been carried on in the ordinary course between January 1, 1968 and the date when Power first takes up any common shares of Trans-Canada hereunder, which date or May 31, 1968, whichever may first occur, is herein called the "closing date";

(c) No dividends or other distributions shall have been declared or paid on any common shares of Trans-Canada after April 1, 1968 and prior to and including the closing date, other than the regular quarterly dividend of 10 cents per share payable on the common shares of Trans-Canada on July 1, 1968;

(d) The authorized capital of Trans-Canada on the closing date shall consist of 125,000 Series A 5% cumulative redeemable preferred shares of the par value of $20.00 each, 50,000 Series B 6% cumulative redeemable preferred shares of the par value of $20.00 each and 5,000,000 common shares of $1 par value, of which 125,000 Series A preferred shares, 50,000 Series B preferred shares and 4,136,810 common shares shall be issued and outstanding as fully-paid and non-assessable and no shares other than the said 125,000 Series A preferred shares, 50,000 Series B preferred shares and 4,136,810 common shares shall have been issued or agreed to be issued prior to the closing date and on the closing date there shall not be outstanding any options or rights to purchase any unissued shares of Trans-Canada, other than the conversion rights attaching to the convertible 6% sinking fund debentures due March 1, 1977;

(e) Contemporaneously with Power taking up over 50% of the common shares of Trans-Canada hereunder a meeting of the directors of Trans-Canada shall be held at which such directors of Trans-Canada as Power shall have specified shall resign and nominees of Power shall be elected directors in their place;

(f) No adverse material change in the assets of Trans-Canada or any of its subsidiaries has occurred since the dates of their respective last audited financial statements and prior to and including the closing date which, in the opinion of Power, would substantially adversely affect the operations or earnings of Trans-Canada or any of its subsidiaries;

(g) Neither Trans-Canada nor any of its subsidiaries has since January 1, 1968 and up to and including the closing date, sold or otherwise disposed of or agreed or made any commitment to sell or otherwise dispose of any of its assets, except in the ordinary course of business or with the consent of Power or as disclosed hereunder;

(h) No payments shall have been made or authorized after January 1, 1968 and up to and including the closing date by Trans-Canada or any of its subsidiaries to officers, directors or employees of Trans-Canada or any of its subsidiaries except in the ordinary course of business and at the regular rates of salary or other remuneration;

(i) At the closing date there shall be no actions, suits, or proceedings (whether or not purportedly on behalf of Trans-Canada or any of its subsidiaries) pending or to the knowledge of Trans-Canada or any of its subsidiaries, threatened against or affecting Trans-Canada or any of its subsidiaries, at law or in equity or before or by any federal, provincial, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which if successful would in the opinion of Power substantially adversely affect the permits licences, franchises, assets, operations or earnings of Trans-Canada or any of its subsidiaries, or which might prevent the free exercise of the voting rights attaching to the Trans-Canada common shares or those of any of its subsidiaries;

(j) Neither Trans-Canada nor any of its subsidiaries is, as of January 1, 1968, or shall be at the closing date, a party to any written employment or service agreement, other than Union agreements and existing employment contracts, full particulars of which have been disclosed to Power in writing;

(k) On the closing date Power shall have been furnished with such opinions of its solicitors and with such opinions, certificates, affidavits or statutory declarations of officers of Trans-Canada and Gelco Enterprises Ltd. and their counsel, as Power or Power's counsel may reasonably think necessary establishing that the above-mentioned conditions have been complied with.

The foregoing conditions (a) to (k) inclusive are inserted for the exclusive benefit of Power and may be waived in whole or in part by it at any time, provided, however, that if Power takes up any common shares under this Offer, it shall take up all common shares, certificates representing which are deposited within the time (subject as aforesaid) and in the manner hereinbefore provided.

Notwithstanding anything herein contained, Power shall not be obligated to take up any common shares under this Offer unless the shareholders of Power at special general meetings of shareholders to be held on or after May 15, 1968 have ratified and sanctioned By-laws "X", "Y" and "Z" and By-laws "X" and "Y" have been confirmed by Supplementary Letters Patent issued by the Minister of Consumer and Corporate Affairs. By-law "X" authorizes an increase in the authorized capital of Power by the creation of 10,000,000 Second Preferred Shares of $12.00 each to be issued in series (of which 4,237,490 shall be designated '5% Cumulative Redeemable Convertible Second Preferred Shares, Series "A" ' and

authorized for immediate issue) and 92,760 additional 6% Non-Cumulative Participating Preferred Shares of $5.00 each and 10,000,000 additional common shares without par value. By-law "Y" amends the preferences, priorities rights, privileges, limitations and conditions which attach to the 6% Non-Cumulative Participating Preferred Shares and to the common shares, principally to reflect the priorities of the various classes of the Company's shares including the new Second Preferred Shares. By-law "Z" amends by-law "T", being the General Administrative By-law of the Company, to increase the number of directors from 11 to 15, create the office of Deputy Chairman, define the powers of the Chief Executive Officer and extend the Executive Committee to be an Executive and Finance Committee, and reflect its additional financial responsibilities.

4. Application will be made for listing the Convertible Preferred Shares Series A on the Montreal Stock Exchange and The Toronto Stock Exchange.

5. Certificates representing the Convertible Preferred Shares Series A to be issued and exchanged for common shares taken up hereunder (which Convertible Preferred Shares Series A shall be issued as fully-paid and non-assessable shares) shall be delivered to shareholders accepting this Offer or at the option of Power shall be forwarded by registered mail to shareholders accepting this Offer at their respective addresses specified in the Letter of Transmittal referred to above, or in the event that no such address is so specified, at the respective addresses of such shareholders as the same appear in the books of Trans-Canada kept by the transfer agents. In the case of certificates so mailed, delivery of such certificates shall be deemed to have been made to the depositor concerned as soon as the letter containing the same has been mailed. Such certificates may, at the discretion of Power, be interim certificates exchangeable without cost for definitive certificates when available.

6. Shareholders who wish to forward their certificates by mail are advised to use registered mail for their own protection.

7. Right of Withdrawal. Any shares deposited pursuant to the Offer may be withdrawn by you at any time until the expiration of seven (7) days from the date on which the Offer was mailed.

8. Transfer Taxes. Power will pay the stock transfer taxes in respect of the transfer to it of the common shares of Trans-Canada.

9. Dividends. The Convertible Preferred Shares Series A will be entitled to cumulative dividends at the rate of 5% per annum payable quarterly on the 15th day of February, May, August and November in each year.

In the event that the conditions set out in paragraph 3 hereof have been met or waived by Power on or before May 31, 1968, Power will on or before June 14, 1968 take up all shares which have been deposited with Montreal Trust Company on acceptance of this Offer and the Convertible Preferred Shares Series A to be issued with respect to the purchase of such shares will be issued and dated June 1, 1968 and the dividends thereon shall accrue and be cumulative from July 1, 1968.

Should the time for acceptance of this Offer be extended by Power, then, with respect to shares deposited subsequent to May 31, 1968, the conditions relating to the Convertible Preferred Shares Series A shall provide with respect to dividends thereon that such dividends shall accrue and be cumulative from July 1, 1968 upon all of the said Convertible Preferred Shares Series A issued on or before June 30, 1968 and thereafter with respect to any of the said Convertible Preferred Shares Series A issued on or after July 2, 1968 from July 2, 1968 or from the respective dates of the issue of the said Convertible Preferred Shares Series A, whichever is the later.

POWER CORPORATION OF CANADA, LIMITED

W. I. M. Turner Jr.

President.

Summary of the Characteristics of the Convertible Preferred Shares Series "A" of Power.

Issue:

The 10,000,000 Second Preferred Shares of the par value of $12.00 will rank, both with respect to dividends and return of capital, after the presently authorized 1,986,300 First Preferred Shares of the par value of $50.00 each (which are issuable in series and of which 586,300, designated "4¾% Cumulative Redeemable First Preferred Shares, 1965 series" are issued and outstanding) and prior to the Non-cumulative Participating Preferred Shares of the par value of $5.00 each and to the common shares of Power. The Second Preferred Shares may be issued in series and 4,237,490 of the said shares have been designated Convertible Preferred Shares Series A and authorized for immediate issue.

Additional Shares:

The remaining Second Preferred Shares may have such attributes and characteristics as shall be provided by resolution of the Board of Directors of Power and confirmed by Supplementary Letters Patent under the provisions of the Canada Corporations Act and may be issued in one or more further series by the affirmative vote of not less than three quarters in number of the Board of Directors of Power. The Second Preferred Shares of each series shall rank on a parity with Second Preferred Shares of every other series with respect to priority in payment of dividends and return of capital.

Dividends:

Subject to the prior right of the holders of the outstanding First Preferred Shares to receive dividends at the rate of 4¾% per annum and of the holders of further First Preferred Shares which may be issued, the Convertible Preferred Shares Series A will carry the right to a fixed cumulative preferential cash dividend payable in quarterly instalments in lawful money of Canada on the 15th day of February, May, August and November in each year in the total amount of 60¢ per annum. Dividends will accrue and be cumulative from July 1, 1968 upon all of the Convertible Preferred Shares Series A issued on or before June 30, 1968 and thereafter with respect to any of the Convertible Preferred Shares Series A issued on or after July 2, 1968, from July 2, 1968 or the respective dates of the issue of the Convertible Preferred Shares Series A, whichever is the later.

Redemption:

The Convertible Preferred Shares Series A shall, subject to the rights and preferences of the holders of the First Preferred Shares, be redeemable in whole or from time to time in part, at any time after May 31, 1973 on not less than thirty (30) days' notice at the amount paid up thereon, together with all accrued and unpaid preferential dividends, which for such purpose shall be deemed to have accrued to the date of redemption. Power may purchase the Convertible Preferred Shares Series A on the open market or by tender at any time at the lowest price at which, in the opinion of the Board of Directors, such shares are obtainable but not in any event exceeding the amount paid up thereon plus dividends accrued to the date of purchase plus customary brokerage.

Conversion:

The holders of the Convertible Preferred Shares Series A (subject to the right of redemption above referred to) may convert their shares at any time up to and including May 31, 1978 into common shares of Power upon the basis of one common share of Power (as presently constituted) for each Convertible Preferred Share Series A.

Subscription Rights:

The holders of the Convertible Preferred Shares Series A (subject to the right of redemption above referred to) will be entitled to rank equally with the holders of the common shares of Power with respect to any subscription rights to purchase shares of Power or any subsidiary of Power issued on or prior to May 31, 1978.

Voting Rights:

The holders of the Convertible Preferred Shares Series A will be entitled to receive notice of and attend any meeting of shareholders (with the exception of any meeting of the holders of any shares of a different class held separately) and shall be entitled to one vote at any such meeting for each such share held.

Modification of Rights:

Any provision relating to the Second Preferred Shares may be repealed, modified or amended with the approval of the holders of such shares given at a meeting at which a majority of the holders is present and at least 66⅔% of such shares represented and voting at such meeting vote affirmatively. If a majority of such shareholders is not present, the meeting may be adjourned and when reconvened those present shall constitute a quorum and the affirmative vote then required is 66⅔% of the shares then represented and voting. Modification of the provisions attaching to the Convertible Preferred Shares Series A may be made in like fashion by a separate meeting of the holders of shares of that series.

Legality:

In the opinion of Counsel, the Convertible Preferred Shares Series A will be investments in which the Canadian and British Insurance Companies Act states that a company registered under Part III thereof may, without availing itself for that purpose of the provisions of subsection (4) of Section 63 of the said Act, invest its funds.

The foregoing should be read in conjunction with By-law "X", appended as Schedule 1.

PLAN OF ACQUISITION

Trans-Canada will become a subsidiary company of Power if the Offer becomes binding and a majority of the Trans-Canada common shares is acquired. The acquisition is expected to lead to a further strengthening of the financial resources, earning capacity and management of the combined group of companies.

Power has not hitherto consolidated the earnings of its operating subsidiary companies, since the earnings of these companies in excess of dividends paid by them have not been material in relation to Power's total earnings, the bulk of which have originated in companies in which only minority investment positions are held. As acquisition of a majority of Trans-Canada would cause over half of Power's earnings to originate directly and indirectly from operating subsidiaries, it is proposed in fiscal 1968 and following years to consolidate the accounts of Power with the operating subsidiaries (except for The Imperial Life Assurance Company of Canada for which such consolidation is not practical). The Directors believe that this form of presentation of the accounts would, henceforward, best reflect the operating results of a holding company whose major sources of income are the earnings of its operating subsidiaries.

It is proposed upon completion of the offer to make certain changes in the Board of Directors and Executive Officers of both Power and Trans-Canada. These changes would reflect the importance of Trans-Canada as a Power subsidiary and the number of votes of Power to be acquired by certain present holders of Trans-Canada common shares. For details of the proposed voting arrangements and the transactions related to them, you are referred to page 15.

Power will pay to brokers and investment dealers in connection with the acquisition of Trans-Canada common shares, other than some 2,500,000 shares held by certain controlling shareholders and their associates, a fee of 15¢ per share.

Legal, auditing, printing and miscellaneous expenses related to the acquisition of Trans-Canada, estimated to be about $100,000, will be borne by Power.

MATERIAL CHANGES IN TRANS-CANADA

Power does not know of any material change in the financial position or prospects of Trans-Canada since the date of Trans-Canada's last audited financial statements, February 29, 1968, except that Power has been informed that:

(i) In addition to the sale by Trans-Canada of its shareholdings of Henderson Furniture Limited and Ameublement Princeville Inc. described on page 17, arrangements are being made to dispose of Trans-Canada's holdings of Drummond Welding & Steel Works Ltd. for a consideration of $500,000.

(ii) Arrangements have been made for the sale of Trans-Canada's entire holdings of the common stock of Industrial Life Insurance Company, 142,000 shares, to Gelco Enterprises Ltd. for a total consideration of $3,000,000. In accordance with the terms of the trust deed securing Trans-Canada's sinking fund debentures, the proceeds will be applied to the redemption of such debentures.

(iii) Trans-Canada proposes to sell its entire holdings of the voting and common shares of La Compagnie de Publication de La Presse, Ltée. and of Les Journaux Trans-Canada, Ltée. at book value to Gelco Enterprises Ltd. ("Gelco"), the present parent company of Trans-Canada, or to a subsidiary of Gelco, in exchange for non-voting securities. Gelco is controlled by Mr. Paul Desmarais to whom reference is made below. The net effect of the transaction on Trans-Canada's earnings is not expected to be material.

(iv) Aggregate operating profits of the wholly-owned subsidiaries of Trans-Canada in the first two calendar months of 1968 have increased moderately over the same period a year ago on the basis of unaudited financial statements.

MATERIAL CHANGES IN POWER

Power does not know of any information that indicates any material change in its financial position or prospects since December 31, 1967, except that:

(i) Unconsolidated net earnings before dividends on the participating preferred and common shares declined by approximately 26.5% for the three months ended March 31, 1968 as compared to the same quarter one year ago. In the light of decreases in expected dividend revenue from such investments as Consolidated-Bathurst Ltd., Dominion Glass Company Ltd. and Chemcell Ltd.,—which it is expected will be offset in part by higher dividend revenue from Northern and Central Gas Corporation Ltd. and others—this earnings trend is expected to persist for the year as a whole.

(ii) In view of the seasonal and fluctuating nature of the earnings of Power's unconsolidated operating subsidiaries, no meaningful earnings comparisons can be made for the first quarter of the calendar year. However, management of each of these companies believes that earnings will be higher in the year 1968 than in 1967, although the contribution of such earnings to Power's consolidated 1968 earnings is expected to be small in relation to the total.

(iii) As of March 1, 1968, Power disposed of 658,392 common shares of Congoleum Nairn Inc., its entire holding, for $21,357,945;

(iv) Primarily as a consequence of the above transaction, Power has paid off all its bank loans As at March 31, 1968, Power held short-term investments of $15,648,750 and had $10,500,000 of short-term debt outstanding in the form of income debentures maturing at various dates between May 1968 and January 1969.

MARKET PRICE RANGE AND VOLUME OF TRADING OF COMMON SHARES OF POWER AND TRANS-CANADA

The following is a summary showing the market price range in dollars per share and the volume of trading of the common shares of Power and Trans-Canada on the Montreal and Toronto Stock Exchanges in the six month period preceding the date of the Offer:

	Power		
Month of	High	Low	Volume
October, 1967	10	8⅝	70,954
November	9¾	7⅝	93,909
December	8½	7⅛	172,622
January, 1968	8⅛	7¼	98,827
February	8⅛	7⅛	81,735
March	8⅛	6¼	144,908

	Trans-Canada		
Month of	High	Low	Volume
October, 1967	8	5¾	6,696
November	6¾	6	6,975
December	7	6¼	1,894
January, 1968	7½	7⅛	4,425
February	7¾	7¼	12,766
March	10	7⅜	38,065

DIVIDEND RECORD OF POWER

Power has paid dividends on its outstanding shares in respect of the five and one-quarter years ended March 31, 1968 as follows (adjusted to reflect a 10 for 1 subdivision of the Participating Preferred Shares and Common Shares in January, 1963):

Calendar Year	4½% First Preferred Shares	4¾% First Preferred Shares 1965 Series	6% Participating Preferred Shares	Common Shares
	per share	per share	per share (1)	per share (1)
1963	$2.25		30	26¼
1964	2.25		31½	33
1965	1.61315	$0.462	37	38
1966		2.375	41	42
1967		2.375	44	44
1968 (to 31 March, 1968)		0.59375	11	11

(1) While dividends on the Participating Preferred and common shares are usually declared at the same time, those on the common shares are paid before the end of each fiscal quarter while those on the Participating Preferred Shares are paid early in the next succeeding quarter.

TAX STATUS

Power is a corporation resident in Canada and pays taxes on its income in accordance with the provisions of the Income Tax Act of Canada and of the Quebec Corporations Tax Act. Income received from sources outside of Canada may be subject to withholding or other taxes payable in accordance with the laws of the countries from which such income is derived. Neither Canada nor Quebec presently levies any tax upon capital receipts.

Shareholders of Power resident in Canada (corporate or individual) are liable to pay income tax upon the dividends paid upon the Second Preferred Shares in accordance with the Canadian Income Tax Act and the taxing statutes, if any, of the provincial jurisdiction to which such shareholder is subject. However, as Power is a tax-paying Canadian corporation, Canadian corporate shareholders are not subject to payment of Canadian income tax upon dividends received from it and individual Canadian shareholders are entitled to a dividend tax credit to the extent permitted by the Canadian Income Tax Act and any relevant provincial legislation. Non-resident holders of the Second Preferred Shares will be subject to Canadian withholding tax upon dividends paid to them at a rate presently not exceeding 10% from which relief may be obtained according to the laws of their respective jurisdictions.

THE COMPANY

The full corporate name of the Offeror is Power Corporation of Canada, Limited, and the address of its head-office and principal place of business is 41st floor, 1 Place Ville Marie, Montreal 2, Quebec. Power was incorporated under the laws of Canada by Letters Patent dated April 18, 1925, which have been amended from time to time in the intervening years by Supplementary Letters Patent.

The directors of Power have enacted By-law "X" increasing the authorized capital of Power by the creation of an additional 10,000,000 common shares and 92,760 Participating Preferred Shares, and creating 10,000,000 new Second Preferred Shares of the par value of $12 each, issuable in series.

Power's directors have also enacted By-law "Y" which makes certain changes in the provisions attaching to the existing Participating Preferred Shares to reflect the rights and priorities of the other classes of Power's capital.

Both By-laws are subject to the approval of Power's shareholders and the issuing of further Supplementary Letters Patent.

CAPITALIZATION

(A) SHARE CAPITAL

POWER CORPORATION OF CANADA, LIMITED

Designation of Securities	Amount authorized or to be authorized	Amount outstanding Dec. 31, 1967	Amount outstanding April 1, 1968	Amount to be outstanding
First preferred of $50 par value issuable in series	$ 99,315,000 (1,986,300 shs.)			
1965 Series 4¾% cumulative redeemable		$ 29,500,000 (590,000 shs.)	$ 29,315,000 (586,300 shs.)	$ 29,315,000 (586,300 shs.)
Second preferred of $12 par value issuable in series	120,000,000 (10,000,000 shs.)			
5% cumulative redeemable convertible preferred Series "A"				49,641,720 (4,136,810 shs.)
6% non-cumulative participating preferred of $5 par value	7,963,800 (1,592,760 shs.)	5,972,850 (1,194,570 shs.)	5,972,850 (1,194,570 shs.)	5,972,850 (1,194,570 shs.)
Common—no par value	20,000,000 shs.	6,198,550 shs.	6,198,550 shs.	6,198,550 shs.

Designation of Securities	Amount authorized or to be authorized	Amount outstanding Dec. 31, 1967	Amount outstanding April 1, 1968	Amount to be outstanding
(B) LOAN CAPITAL				
POWER CORPORATION OF CANADA, LIMITED				
5½% Debenture maturing March 1, 1977	$ 5,000,000	$ 4,650,000	4,648,000	4,648,000
SHAWINIGAN INDUSTRIES LIMITED				
Secured Income Debentures				
Series B				
5½% May 6, 1968	1,000,000	1,000,000	$ 1,000,000	$ 1,000,000
Series C				
5% March 15, 1968	2,000,000	2,000,000	—	—
Series D				
5¼% September 14, 1968	2,000,000	2,000,000	2,000,000	2,000,000
Series E				
5⅛% August 30, 1968	3,000,000	3,000,000	3,000,000	3,000,000
Series F				
5½% November 6, 1968	3,500,000	3,500,000	3,500,000	3,500,000
Series G				
5½% January 6, 1969	1,000,000	1,000,000	1,000,000	1,000,000
	$ 12,500,000	$ 12,500,000	$ 10,500,000	$ 10,500,000
INSPIRATION LIMITED				
Sundry Indebtedness	n.a.	2,124,517	2,117,184	2,117,184
CANADIAN INTERURBAN PROPERTIES LIMITED				
Mortgages Due—				
within one year	n.a.	2,075,790	1,986,489	1,986,489
2 to 5 years	n.a.	2,829,853	2,556,127	2,556,127
6 to 10 years	n.a.	6,998,081	7,415,271	7,415,271
over 10 years	n.a.	$23,495,582	$23,128,432	$23,128,432
		$35,399,306	$35,086,319	$35,086,319
First Mortgage Bonds				
5¼% series A due 1976	300,000	108,000	108,000	108,000
5½% series B due 1978	675,000	353,000	341,500	341,500
5½% series C due 1975	500,000	150,000	150,000	150,000
7½% sinking fund due 1992	3,000,000	3,000,000	2,955,000	2,955,000
7½% sinking fund due 1997	5,700,000	5,700,000	5,700,000	5,700,000
	$10,175,000	$ 9,311,000	9,254,500	$ 9,254,500
Debentures and Notes				
4½% due 1977	900,000	$ 900,000	$ 900,000	$ 900,000
6% due 1974	1,326,400	$ 1,212,380	$ 1,212,380	$ 1,212,380
	$ 2,226,400	$ 2,112,380	$ 2,112,380	$ 2,112,380
	n.a.	$46,822,686	$46,453,199	$46,453,199

At December 31, 1967 the aggregate amount of the minority interest in the common shares and deficit of Power Corporation Developments Limited, whose financial statements are consolidated with those of Power, was $2,937.

At December 31, 1967 the aggregate amount of the minority interest in the common shares and retained earnings (less deficit where applicable) of subsidiaries whose financial statements are not included in the consolidated statements was $13,002,336. At the same date the aggregate amount of the minority interest in preferred shares was $5,226,311.

As a result of the sale of 42,500 shares of Canadian Interurban Properties Limited between December 31, 1967 and March 31, 1968 to trustees of that company's employees' stock purchase plan, the aggregate amount of the minority interest increased to $13,059,096.

BUSINESS, INVESTMENT POLICIES AND MANAGEMENT OF POWER

Power is an investment, development and management company of the closed-end type. Directly and through its investment company subsidiaries, it invests primarily in equity securities and normally takes an active role in the development of the enterprises in which it has committed funds (except for a small number of holdings of a purely portfolio nature). To accomplish its stated objective of investing creatively in Canada's future, Power seeks to make long-term equity investments in industries which have the potential for substantial growth and profitability; to concentrate its holdings in a relatively limited number of companies—suitably diversified by industry—which are or can become leaders in their respective industries; to assist each company to realize its full potential through developing and supporting competent self-contained management; and to encourage the development of improved management techniques and new technology, products and markets. Investments are made primarily in Canada and, where appropriate, investments outside Canada are related to Canadian interests and experience.

In the years prior to 1962, electric utilities constituted a major portion of the portfolio. However, acquisition of those utilities by the provincial governments have since eliminated all such holdings and the investments of Power are now widely diversified by industry. Among the industries represented in the portfolio are inland shipping; real-estate management and development; chemicals and fibres; glass containers; construction; the finance business; gas utilities and distribution; television; recreation and hotel interests; mutual fund management and distribution; and pulp, paper and forest products. Investments are also held in a variety of activities in Australia, including a motel chain, a pastoral company, and a company seeking suitable mining investments. The schedule on page 14 sets out certain information on all companies of which Power holds 5% or more of the voting shares.

There are no specific restrictions on the Company's investment powers— either by type of industry or type of security— and its investment policy is determined from time to time by the Board of Directors in the light of economic circumstances, conditions in financial markets and the various opportunities available. Prior shareholder action is not required with respect to any matter of investment policy in general or individual security transactions in particular.

The Company may issue securities from time to time for the purposes of refunding, acquisition of additional investments, or augmenting the capital funds of the Company. Within the past five years, Power has issued $30,000,000 par value of 4¾%, first preferred shares and varying amounts of income debentures of less than 18 months to maturity, the maximum amount of which outstanding at any one time was $12,500,000. The Company may and does borrow money from its bankers from time to time, and the maximum amount outstanding in the last five years was $40,000,000.

The Company's policy is not to engage in the underwriting of securities of other issuers. From time to time in the case of rights issues it may agree to subscribe for any unsubscribed common shares or convertible securities of subsidiary companies or companies in which it has a major interest. In the last five years, it has made such agreements with each of the following companies: Bahamas-Caribbean Development Corp.; Capital Management Limited; Laurentide Financial Corporation Ltd.; and Bathurst Paper Limited. Power's acquisition of securities under the foregoing rights issues amounted in total to $1,297,134, excluding securities to which it was entitled by virtue of its shareholdings and in respect of which it exercised its rights.

Power may in special circumstances make loans to subsidiary companies, usually secured by debentures, when such companies cannot conveniently or reasonably obtain financing elsewhere. In the past five years, it has lent $1,000,000 to Inspiration Limited, none of which is presently outstanding; $800,000 to Bahamas-Caribbean Development Corp., which is presently outstanding; and $4,000,000 in the form of secured collateral trust notes to Laurentide Financial Corporation Ltd., since repaid.

It is not Power's policy to purchase and sell real-estate, commodities or commodity future contracts. Its portfolio securities do not include any securities of mutual funds but, as noted above, some of Power's investments are made through investment company subsidiaries which, with an immaterial exception, are wholly-owned by Power.

Management of Power and its investment company subsidiaries, including investment analysis and recommendation, is under the general direction and supervision of the Chairman and under the day-to-day direction of the President and the officers responsible to him, subject to the control of the Board of Directors which normally meets once a month. An Executive Committee of the Board of Directors meets when necessary between Board meetings to consider major investment decisions or policies and to authorize such action as it deems appropriate. For proposed changes in these arrangements, see By-law "Z", appended as Schedule 3.

Investments in securities may be made directly by Power from the issuer, by private contract or through the facilities of brokers and investment dealers. Disposals of securities may be made directly or through the intermediation of brokers and investment dealers. No general formula, method or criterion is used in allocating brokerage business which is normally allotted to those dealers in a position efficiently and quickly to complete a specific order.

The total cost of short-term notes acquired during the year ended December 31, 1967 was $41,200,000 and the cost of other securities was $18,990,689. At the beginning of that fiscal year the cost of securities held was $159,154,338 as compared to a cost of $167,816,428 at year end.

BUSINESS AND MANAGEMENT OF POWER'S UNCONSOLIDATED OPERATING SUBSIDIARIES

Power has six non-investment company subsidiaries: Capital Management Limited, 86.3% owned, which manages the All-Canadian Mutual Funds and, through a subsidiary, distributes those Funds; Yorkshire Financial Corporation Ltd., 61.4% owned, which directly and through subsidiaries is in the trust company business, real estate sales and management and insurance brokerage in British Columbia; Inspiration Limited, 52.2% owned, which engages in construction, drilling contracting and the manufacture of drilling equipment; Canadian Interurban Properties Limited, 54.5% owned, which is engaged in real estate construction, development and management; Liverpool Plains Pastoral Co. Pty. Ltd, 91.6% owned indirectly, which has a pastoral property in New South Wales, Australia; and Power Mining Limited, 100% owned indirectly, which is engaged in the search for suitable mining investments in Australasia. In aggregate, these companies represented about 13% of Power's assets as at March 31, 1968.

Each of these companies has a separate operating management, although the degree of management control exercised by Power in some instances is significant and officers of Power are also officers of the subsidiaries.

In the last five years, the mutual fund assets managed by Capital Management have expanded satisfactorily and currently stand at approximately $122 million. Yorkshire Financial has been in existence only since 1965, but it has made substantial progress in the market which it serves, and its operations are expected to be profitable for the calendar year 1968 as a whole. Inspiration Limited had a difficult year in 1967 in common with the entire Canadian construction industry, but is expected to have an earnings recovery in the current year. Canadian Interurban Properties has during the last five years expanded its assets from $40.3 million to $85.4 million and further gains in both assets and earnings are expected in 1968. Liverpool Plains is operating profitably and is expected to make continued progress as long as weather conditions and agricultural markets in Australia are reasonably favourable. Power Mining's future earnings depend on its success in finding suitable and profitable projects in which to invest. In aggregate, these operating subsidiaries are expected to make a modest contribution to Power's total consolidated earnings in 1968.

Current prospectuses of All-Canadian Compound and Dividend Funds and of All-Canadian Venture Fund, which describe the investment policies and practices of those Funds and other relevant matters, are available on request from the Secretary-Treasurer, Power Corporation of Canada, Limited, 41st Floor, 1 Place Ville Marie, Montreal 2. Since 1965, these Funds have not invested in any company is which Power has a material interest.

DIVERSIFICATION OF ASSETS

Name and address of Company	Nature of Business	% of Securities Owned	% of Power's at Book Value Assets
Bahamas Caribbean Development Corp. Toronto, Ontario	Hotel interests	40.7% common 100.0% preferred 100.0% notes receivable	1.7%
Canada Steamship Lines Limited Montreal, Que.	Inland shipping	30.0% common 18.9% preferred	13.7%
Canadian Interurban Properties Limited, Toronto, Ontario	Real estate management and development	54.5% common	4.5%
Capital Management Limited Montreal, Que.	Mutual fund management	86.3% common 89.5% preferred 85.6% debentures	.8%
Chemcell Limited Montreal, Que.	Chemicals and fibers	7.5% common	4.3%
Consolidated-Bathurst Limited Montreal, Que.	Pulp paper and Forest products	15.6% common 27.2% preferred	30.8%
Dominion Electric Protection Co. Montreal, Que.	Protection service	49.0% common	.4%
Dominion Glass Company Ltd. Montreal, Que.	Glass container manufacturing	30.9% common 2.1% preferred	6.%
Inspiration Limited Montreal, Que.	Manufacturing and construction	52.2% common 23.9% preferred	2.5%
Laurentide Finance Corporation Vancouver, B.C.	Sales finance	13.9% common 100.0% Subordinated common 100.0% Subordinated preferred 100.0% Debentures March 1973	4.9%
Liverpool Plains Pastoral Co. New South Wales, Australia	Pastoral Company	91.6% common 100.0% notes	.4%
North American Recreation Industries Limited Toronto, Ont.	Recreation and hotel interests	50.0% common 46.0% class "A"	1.6%
Northern and Central Gas Corp. Toronto, Ont.	Gas utilities and distribution	15.3% common	8.1%
Power Mining Limited New South Wales, Australia	Mining	100.0% common	.5%
Quebec Telemedia Inc. Montreal, Que.	Television	50.0% common 50.0% debt. instrument	1.4%
Yorkshire Financial Corp. Ltd. Vancouver, B.C.	Trust, insurance and financial services	61.4% common	1.2%

PROPOSED ISSUE OF WARRANTS

TO PARTICIPATING PREFERRED SHAREHOLDERS

The Company presently has outstanding 1,194,570 Participating Preferred Shares which will rank after the new Second Preferred Shares. The Participating Preferred Shares are entitled to preference over the common shares both with respect to dividends and return of capital, and are entitled to ten votes each at shareholders' meetings.

If Power takes up Trans-Canada common shares under the Offer, it is proposed to offer to the holders of the Participating Preferred Shares a non-detachable warrant exercisable for 10 years entitling them to subscribe for an additional Participating Preferred Share for each three such shares held. The subscription price would be $12.50 per share for the next five years, and $15.00 per share for the remainder of the term.

VOTING CONTROL AND PRINCIPAL HOLDERS OF SECURITIES

In addition to the presently outstanding 1,194,570 Participating Preferred Shares, there are also 6,198,550 common shares outstanding. Each common share entitles the holder to one vote per share.

The holders of both classes of shares, if present or represented by proxy, are entitled to vote at shareholders' meetings.

Mr. P. N. Thomson, a Director and the Chairman of the Company, owns directly 89,340 common shares. Canadian Power & Paper Securities Limited ("Canadian Power"), which, through his holdings of shares in another company Mr. Thomson is in a position to control, owns 804,580 Participating Preferred Shares and 50,000 common shares. The said 804,580 Participating Preferred Shares represent approximately 67% of the outstanding Participating Preferred Shares and the said 89,340 and 50,000 common shares together represent approximately 2% of the outstanding common shares. In total they represent 45% of the 18,144,250 votes of the company.

Mr. Thomson and a company indirectly controlled by him respectively own 3,317 and 250,000 common shares of Canadian Interurban Properties Limited as of the date hereof, representing an insignificant percentage in the case of Mr. Thomson and 5.1% in the case of the said company. Mr. Thomson also owns 2,577 common shares of Inspiration Limited, an insignificant percentage.

As of April 1, 1968 the directors and senior officers of Power, other than Mr. Thomson and companies indirectly controlled by him, as a group beneficially owned, directly or indirectly, 95,214 common shares of Power representing 1.5% or its outstanding common shares and 14,300 Participating Preferred Shares representing .12% of that class. On the same date and basis, the directors and senior officers of Power owned 18,796 common shares of Canadian Interurban Properties Limited, representing .38% of its outstanding common shares, and 3,600 common shares of Inspiration Limited, representing an insignificant percentage of the class.

Gelco (which, as noted above, controls Trans-Canada and which in turn is controlled by Mr. Paul Desmarais, to whom reference is made under the next heading) and Canadian Power have entered into an agreement which provides that Gelco will, if the Offer is taken up by Power and the warrants attaching to the Participating Preferred Shares are available, make an offer to Canadian Power and all other holders of Participating Preferred Shares (except those in the United States) to acquire all such shares. The Gelco offer will be to exchange 1½ new Second Preferred Shares for each Participating Preferred Share with warrants attached. Canadian Power will accept the Gelco offer in respect of at least 200,000 and not more than 250,000 Participating Preferred Shares.

Following these transactions, Gelco and Canadian Power have agreed, amongst other things, that at any meeting of Power shareholders at which directors are to be elected they will each vote their Participating Preferred Shares so that collectively they will have a majority of the Board. Gelco and Canadian Power will only be able to assure election of a majority of the Board if the votes attaching to their combined

holdings of voting shares constitute a majority of the votes of the Company. The agreement also provides that Gelco and Canadian Power will cast all the votes attaching to their respective voting shares, at each meeting of shareholders held for the purpose, for the election to the Board of Directors of Power of such persons (other than the nominees of Canadian Power and Gelco) as Canadian Power and Gelco shall mutually approve.

The Gelco-Canadian Power agreement further provides that neither party will in any one year dispose of any Participating Preferred Shares in excess of 50,000; or at any time dispose of any Participating Preferred Shares which would reduce the number owned by each of them to less than 550,000, unless such shares are offered on a first refusal basis to the other party.

The agreement will terminate if either party ceases to be the beneficial holder of less than 10% of the total number of Participating Preferred Shares then outstanding; if Mr. Thomson ceases to have control of Canadian Power; if Mr. Desmarais ceases to have control of Gelco; or if either party fails to fulfill its obligations under the agreement and the other party exercises its right to terminate.

ARRANGEMENTS WITH DIRECTORS AND SENIOR OFFICERS OF TRANS-CANADA

Upon Power taking up the Trans-Canada common shares pursuant to the Offer, it is proposed that Mr. Paul Desmarais will become Chairman and Chief Executive Officer of the Company, Mr. P. N. Thomson Deputy Chairman and Chairman of the Executive and Finance Committee, and Mr. Jean Parisien (presently Vice-President of Trans-Canada), Executive Vice-President.

The Board of Directors of Power is to be expanded from eleven to fifteen and it is proposed that Messrs. Paul Desmarais, Jean Parisien, J. Louis Lévesque and Wilbrod Bhérer, presently Directors of Trans-Canada, will become Directors of Power.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

(A) Mr. P. N. Thomson, a director of the Company, is also a controlling shareholder, directly or indirectly, of Warnock Hersey International Limited, which in turn controls Canadian Power, holder of 45% of the votes of the Company. In addition, Mr. W. A. Arbuckle and Mr. J. E. L. Duquet, directors of the Company, are directors and shareholders of Canadian Power.

1. The Company purchased from Foreign Power Securities Limited, now Warnock Hersey International Limited, 600,000 shares of Canadian Interurban Properties Limited for $1,740,000 on October 29, 1965, and a further 100,000 shares for $325,000 on June 29, 1966.

2. The Company purchased from Canadian Power 200,000 shares of Canadian Interurban Properties Limited for $650,000 on June 29, 1966.

3. The Company purchased from Foreign Power Securities Limited 400,000 shares of Inspiration Limited at $1.85 per share for $740,000 on June 20, 1966. The average cost per share to Foreign Power Securities Limited of shares acquired in the two year period prior to the foregoing transaction was $1.75 per share.

4. The Company purchased the following securities of Capital Management Limited from Canadian Power on June 29, 1966:

(a) $136,500 non-interest bearing debentures due in 1981

(b) 100,000 shares of 6% cumulative redeemable preferred shares of $1.00 par value and

(c) 1,200 common shares of no par value

for a total consideration of $300,000. The preferred and 200 of the common shares sold by Canadian Power had been issued to them on April 19, 1966, for a consideration of $100,200 in accordance with a preferred and common stock share issue made available to all shareholders of Capital Management Limited on that date.

5. Shawinigan Industries Limited, a wholly-owned subsidiary of Power, sold 52,500 common shares and 15,000 5% non-cumulative preference shares of Eastern Canada Stevedoring (1963) Limited to Canadian Power on June 29, 1966 for $2,950,000. These shares resulted from the amalgamation of a group of companies acquired in May 1965 at a total cost of $2,263,550.

(B) Mr. A. D. Nesbitt, one of the directors of the Company, is the holder of more than 10% of the equity shares of Nesbitt, Thomson and Company, Limited ("Nesbitt, Thomson") which has acted as an underwriter or broker for the Company or its subsidiaries in the last three years as follows:

1. Shawinigan Industries Limited issued $7,000,000 of secured income debentures which were sold at par in part to and in part through Nesbitt, Thomson during 1967; a commission of $17,500 was paid.

2. The Company issued on July 21, 1965, $30,000,000 of 4¾% cumulative redeemable preferred shares of $50.00 par value to Nesbitt, Thomson; the underwriter's commission amounted to $750,000, the major part of which was re-allocated to other selling dealers.

3. Inspiration Limited, a partly-owned subsidiary of the Company, on May 31, 1967, issued 140,000 $1.50 cumulative redeemable convertible preferred shares of $25.00 par value; the underwriters' commission amounted to $86,000. (Nesbitt, Thomson was joint underwriter.)

4. Commissions paid to Nesbitt, Thomson on investment portfolio transactions were:

1965		$11,682
1966		27,712
1967		38,878
1968	(to April 1)	2,939

(C) Between December 1967 and February 1968, the Company sold 79,900 shares of International Utilities Corporation for $3,316,608. Commissions of $33,204 were paid to the brokerage firm of Butcher & Sherrerd. Mr. Howard Butcher III, a director of the Company, is a partner of Butcher & Sherrerd.

(D) On April 29, 1967, the Company and its associate Consolidated-Bathurst Limited (then Consolidated Paper Corporation Limited) jointly offered to purchase up to 1,200,000 common shares of Dominion Glass Company Ltd. at $15.00 per share. The Company and Consolidated-Bathurst together now hold 1,310,294 such shares.

(E) Mr. J. E. L. Duquet, Q.C., a director of the Company, is senior partner of Messrs. Duquet, MacKay, Weldon, Bronstetter, Willis & Johnston who act as legal advisers to the Company and its subsidiaries. Remuneration paid to this firm during the last three years by the Company and its subsidiaries respectively was:

1965	$87,799	$61,526
1966	$40,474	$56,799
1967	$35,028	$78,271
1968 (est. to April 1st)	$10,000	$15,000

(F) As of April 22, 1968, Trans-Canada exchanged its shareholdings of Henderson Furniture Limited and of Ameublements Princeville Inc. with Gelco for 750,000 common shares of Canadian Interurban Properties Limited, which Gelco acquired coincidentally from Warnock Hersey International Limited in consideration for $3,000,000.

DIRECTORS AND OFFICERS

The names and home addresses in full of the directors and officers of Power and the positions and offices held by each of them respectively and their respective principal occupations are:

Name and Address	Office	Principal occupation within past 5 years
William Anstruther Arbuckle, C.A. 8 Chelsea Place Montreal, Que.	Director	President or Senior Officer, Arbuckle, Govett & Co. Ltd.
George Allan Burton 47 Binscarth Road Toronto 5, Ontario.	Director	President or Senior Officer Simpsons, Limited
Howard Butcher, III 700 Springmill Road, Villanova, Pa.	Director	Partner, Butcher & Sherrerd Chairman, International Utilities Corporation
John Edward Lewis Duquet, Q.C. 99 Gordon Crescent, Westmount 6, Que.	Director	Senior Partner, Duquet, MacKay, Weldon, Bronstetter, Willis & Johnston
Claude Charles Frenette 470 Lakeshore Road, Beaconsfield, Que.	General Counsel	Officer of Power since March 1966; Executive Assistant to a Federal Cabinet Minister 1964-66; Research officer, Royal Commission on Taxation 1963-64
Harold Anthony Hampson 30 Stanton Street, Apt. 505, Westmount 6, Que.	Vice-President	Senior Officer of Power since 1964; previously Secretary of Royal Commission on Banking and Finance.
Donald Edward Kerlin Apt. D71, 1321 Sherbrooke St. West, Montreal 25, Que.	Director	Consultant; previously President of Montreal Trust Company
Arthur Francis Knowles, C.A. 70 Brunswick Drive, Beaconsfield, Que.	Comptroller	Officer of Power since 1964; previously Secretary-Treasurer Shawinigan Engineering Co. Ltd.

William George Easton Lannaman, C.A. 107 Embleton Crescent, Pointe Claire, Que.	Secretary-Treasurer	Senior Officer of Power
Paul Edgar Phillippe Martin 120 Wicksteed Ave., Montreal 16, Que.	Assistant Secretary	Officer of Power since March 1966; previously law student
William Earle McLaughlin 67 Sunnyside Ave., Westmount 6, Que.	Director	Chairman and President, The Royal Bank of Canada
Arthur Deane Nesbitt 3269 Cedar Avenue, Westmount 6, Que.	Director	President, Nesbitt, Thomson and Company, Limited
Paul Britton Paine, Q.C. 489 Mount Pleasant Ave., Westmount 6, Que.	Vice-President	Senior Officer of Power since Sept. 1967; previously Senior Partner of Paine, Edmonds, Mercer and Williams.
George William Rutledge 3 De Casson Road, Westmount 6, Que.	Assistant Vice-President	Officer of Power since November 1963; previously management consultant.
Arthur Simard, Q.C. Chemin Ste Anne, Sorel, Que:	Director	Chairman or Senior Officer, Marine Industries Limited
Peter Nesbitt Thomson R.R. No. 1, Pointe Cavagnol Vaudreuil, Que.	Director, Chairman	Senior Officer of Power
William Ian MacKenzie Turner, Jr. 4294 Montrose Avenue, Westmount 6, Que.	Director, President	Senior Officer of Power

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The following information is given for the last completed financial year of the Company ended December 31, 1967 and for the three months to March 31, 1968, with respect to the directors and senior officers of the Company as a group:

1. The aggregate direct remuneration paid or payable by the Company and its subsidiaries whose financial statements are consolidated with those of the Company was $223,570 for the year ended December 31, 1967 and $71,366 for the three months ended March 31, 1968.

2. The aggregate remuneration paid or payable by the subsidiaries of the Company whose financial statements are not consolidated with those of the Company was $8,000 for the year ended December 31, 1967 and $2,000 for the three months ended March 31, 1968.

3. The estimated aggregate cost to the Company and its subsidiaries of all normal pension benefits under the existing plan in the event of retirement at normal retirement age was $24,592 for directors and senior officers of the Company for the year ended December 31, 1967 and $7,849 for the three months ended March 31, 1968.

SHARE OPTIONS

Under the terms of a share option plan, options have been granted from time to time to certain directors, officers and employees to purchase common shares of the corporation exercisable over various five-year periods ending in 1971 at prices ranging from $9.00 to $14.50 per share. At December 31st, 1967 there were outstanding options on 27,500 common shares, of which 24,500 were held by directors and senior officers and 3,000 were held by other officers. At April 1,1968 the market value of the common shares was $7.25.

The details of options outstanding are as follows:

No. of shares covered by options	Exercise price per share (being market value on date of grant)	Expiration date of options
3,750	$12.25	October 31, 1968
2,250	10.125	November 30, 1968
3 000	10.00	December 31, 1968
1,250	14.50	December 31, 1968
4,500	12.25	October 31, 1969
3,000	10.125	November 30, 1969
1,500	14.50	December 31, 1969
3,750	10.125	November 30, 1970
4,500	10.125	November 30, 1971

On April 20, 1967 Canadian Interurban Properties Limited granted an option, expiring December 31, 1971, to a senior officer to purchase up to 25,000 common shares at the price of $4.00 per share. At the time of the granting of this option the market value of such shares was $3.10 and on April 1, 1968 the market value was $3.75.

POWER OWNERSHIP OF AND TRADING IN TRANS-CANADA SHARES

No securities in the capital stock of Trans-Canada are beneficially owned, directly or indirectly, by Power, an associate of Power, any directors or senior officers of Power or their associates other than Mr. Arthur Simard who owns 2,500 common shares of Trans-Canada, or, to the knowledge of the directors and senior officers of Power, by any persons or companies beneficially owning, directly or indirectly, equity shares of Power carrying more than 10% of the voting rights attached to all outstanding equity shares of Power.

During the six months period preceding the date of the Offer, no equity shares of Trans-Canada have been traded by the persons or companies described in the preceding paragraph.

CUSTODIAN, TRANSFER AGENT, REGISTRAR AND AUDITORS

The portfolio securities are held in safekeeping by Montreal Trust Company at 777 Dorchester Blvd. West, Montreal, the head office of that company.

Montreal Trust is also transfer agent and registrar for all classes of Power shares and maintains transfer registers in the cities of Montreal, Toronto, Calgary and Vancouver.

The auditors of Power are Touche, Ross, Bailey & Smart, 1 Place Ville Marie, Montreal.

LITIGATION

Capital Management Limited, an unconsolidated subsidiary of Power, and Capital Management's subsidiary, All-Canadian Group Distributors Limited, are defendants in various law suits arising out of a management agreement but legal counsel is of the opinion that such law suits are unfounded. All-Canadian Group Distributors Limited is also defendant in a law suit arising out of an insurance agreement against which suit a counter claim has been made and management considers that the possible net liability is immaterial. Further details of these proceedings are as set out below:

In October 1965, All-Canadian Group Distributors Limited instituted proceedings in the Superior Court in Montreal (No. 695698) against the former management of All-Canadian Group Distributors Limited and Capital Associates Ltd., in which proceedings Capital Management Limited has been joined as mis-en-cause, for damages relating to their management of All-Canadian Group Distributors Limited and for moneys owing to All-Canadian Group Distributors Limited. The amount claimed, as amended, is $1,363,771.75. Those proceedings have not yet been heard by the Superior Court.

In October 1965, All-Canadian Group Distributors Limited instituted proceedings in the Superior Court in Montreal (No. 696106) against Capital Associates Ltd., in which proceedings Capital Management Limited has been joined as mis-en-cause, for moneys owed pursuant to contract and for rent in the total amount of $92,973.00. These proceedings have not yet been heard by the Superior Court.

In April 1966, All-Canadian Group Distributors Limited instituted two separate proceedings in the Superior Court in Montreal (Nos. 704808 and 704809) against two members of the former management of All-Canadian Group Distributors Limited for moneys owing All-Canadian Group Distributors Limited in the respective amounts of $6,392.07 and $21,554.76. These proceedings have not yet been heard by the Superior Court.

In October 1966, two members of the former management of All-Canadian Group Distributors Limited (and, in two cases, Capital Associates Ltd.) instituted proceedings in the Superior Court in Montreal (Nos. 721060, 721438 and 721767) against All-Canadian Group Distributors Limited (and, in two cases, others) claiming damages for alleged libelous statements in the respective amounts of $1,080,000, $1,100,000 and $100,000. These proceedings have not yet been heard by the Superior Court.

In January 1967, Industrial Life Insurance Company instituted proceedings in the Civil Courts of Quebec against All-Canadian Group Distributors Limited for a claim of $182,907 allegedly owing to Industrial Life Insurance Company as a result of the cancellation of the contract covering the plan insurance coverage. The claim has been contested and cross demand filed in the amount of $68,442. These proceedings have not yet been heard by the Superior Court.

In April 1967, Edmund R. Van Vogt, of the former management of All-Canadian Group Distributors Limited, instituted proceedings in the Supreme Court of Ontario (No. 2742) against that company claiming damages in the sums of $1,244,192.44 for breach of contract, $553.80 for refundable expenses and $1,279.25 for payment of a stopped cheque as well as a declaration by the Court respecting commissions on sales in an undetermined amount. A stay of proceedings has been ordered by the Supreme Court of Ontario.

In September 1965, Arthur Van Vogt, a brother of one of the former management of All-Canadian Group Distributors Limited, instituted an action against that company in the Court of Queen's Bench of the Province of Manitoba (1084/65) for the sum of $43,904.94 and certain commissions. A statement of defence has been filed and examinations of witnessess have taken place.

In June 1967, Capital Associates Limited and certain of its officers instituted proceedings in the Superior Court at Montreal (737-154) against All-Canadian Group Distributors Limited, Capital Management Limited and certain of its directors and past directors as defendants with respect to damages alleged to have resulted from the termination of their contract and the dismissal of the operating management of All-Canadian Group Distributors Limited, in the total amended amount of $33,041,259.00. These proceedings have not yet been heard by the Superior Court.

MATERIAL CONTRACTS

In addition to contracts previously mentioned in this circular and to contracts entered into in the ordinary course of business, the Company and its subsidiaries have entered into the following contracts within the last two years:

(a) As of April 26, 1968 Power entered into an agreement with Gelco which provides amongst other things that Gelco will accept the Offer and will provide certain warranties respecting the condition and affairs of Trans-Canada and its subsidiaries. Power agrees to effect the changes in its capital and by-laws described elsewhere in this circular, to make the Offer and to pay expenses relating to it.

(b) On March 24, 1967 Power entered into an agreement to make provision for a stock purchase plan for certain of its directors and senior officers.

(c) In December, 1966 Inspiration Limited made a public offering for class "A" and class "B" shares of Boyles Bros. Drilling Co. Limited for a total consideration of $159,865 cash, 131,070 preferred shares of the par value of $25.00 each, 523,060 common shares without nominal or par value, $1,092,250 principal amount of 5% promissory notes and $1,438,415 principal amount of non-interest bearing notes. The value attributed to the common shares for this purpose was $574,102 and the preferred shares were valued at par. As a result of this offer Inspiration acquired 99.3% of the class "A" shares and 99.7% of the class "B" shares of Boyles Bros.

(d) On January 26, 1967 Inspiration Limited purchased from Arcop Investments Limited real property and office premises for its head office in Montreal for the sum of $290,000.

(e) As of November 30, 1967 Boyles Bros. Drilling Co. Ltd., a subsidiary of Inspiration Limited, entered into a contract with John Wheelwright Limited for the construction of a new manufacturing plant in Orillia, Ontario for the approximate sum of $700,000.

(f) On February 1, 1967 Canadian Interurban Properties Limited entered into an agreement with William Teron and others for the acquisition of all the outstanding shares of William Teron Limited for the sum of $4,400,000.

(g) On January 11, 1968 Canadian Interurban Properties Limited entered into an agreement to make provision for a stock purchase plan for its senior officers.

(h) On April 1, 1966, Power Corporation Developments Limited, a 99% owned subsidiary of Power, entered into an agreement with North American Recreation Industries Limited (in which Power has an approximate 50% interest) whereby Power Corporation Developments Limited sold to North American Recreation Industries Limited its holdings in P. Lawson Travel (Canada) Ltd., Inns International Ltd., Banff Voyager Inn Ltd., Grouse Mountain Resorts Ltd., Garibaldi Lifts Ltd. and certain other minor investments in the resort field for the sum of $1,962,325.

Copies of the foregoing agreements may be inspected at the head offices of the respective companies which are as follows:

Power	: 41st floor, 1 Place Ville Marie, Montreal 2
Inspiration Limited	: 6865 de Maisonneuve Blvd. Montreal
Canadian Interurban Properties Ltd.	: 170 Bay Street, Toronto, Ont.

POWER CORPORATION OF CANADA, LIMITED
AND CONSOLIDATED SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET
as at December 31, 1967

Assets

INVESTMENTS —	
Quoted securities at cost	$122,408,260
(Market value — 1967, $119,079,554)	
Unquoted securities and other investments (note 2)	17,118,683
Unconsolidated subsidiary companies	
Quoted securities at cost	11,991,710
(Market value — 1967, $11,500,837)	
Unquoted securities (note 2)	4,767,775
	156,286,428
ADVANCES TO TRUSTEES OF SHARE OPTION AND STOCK PURCHASE PLANS (note 5)	1,072,958
SHORT TERM NOTES AND DEPOSITS — at cost which approximates market	5,331,300
CASH AND RECEIVABLES	2,325,604
	$165,016,290

On behalf of the Board:
P. N. Thomson, Director; W. I. M. Turner Jr., Director.

Liabilities

CURRENT:	
Bank loans (secured)	$ 12,112,758
Accounts payable	1,221,913
Secured income debentures of a subsidiary	12,500,000
	25,834,671
LONG TERM:	
5½% debentures maturing March 1, 1977	4,650,000

Shareholders' Equity

CAPITAL STOCK:	
First preferred shares of $50 par value issuable in series (note 6)	
Authorized — 1,990,000 shares	
Issued — 590,000 shares 4¾% cumulative redeemable 1965 series	29,500,000
Six per cent non-cumulative participating preferred shares of $5 par value	
Authorized — 1,500,000 shares	
Issued — 1,194,570 shares	5,972,850
Common shares of no par value	
Authorized — 10,000,000 shares	
Issued — 6,198,550 shares	12,678,340
INVESTMENT RESERVE	74,937,117
RETAINED EARNINGS	11,443,312
	134,531,619
	$165,016,290

The accompanying notes are an integral part of this statement.

POWER CORPORATION OF CANADA, LIMITED
AND CONSOLIDATED SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED EARNINGS AND RETAINED EARNINGS

	For the years ended June 30				Six months ended December 31,	Year ended December 31,
	1963	1964	1965	1966	1966	1967
Earnings:						
Income from investments	$ 3,996,017	$ 5,303,249	$ 5,790,242	$ 7,480,467	$ 3,930,868	$ 7,376,391
Management and general expenses	519,992	629,113	840,160	1,075,156	623,112	1,339,548
Less: Management fees received	194,860	197,717	236,412	266,840	116,970	235,285
	325,132	431,396	603,748	808,316	506,142	1,104,263
Debenture and other interest	422,789	605,465	917,380	1,527,587	843,302	1,640,732
	747,921	1,036,861	1,521,128	2,335,903	1,349,444	2,744,995
	3,248,096	4,266,388	4,269,114	5,144,564	2,581,424	4,631,396
Taxes on income	377,514	534,893	183,837	—	6,850	—
Net earnings	$ 2,870,582	$ 3,731,495	$ 4,085,277	$ 5,144,564	$ 2,574,574	$ 4,631,396
Retained earnings:						
Retained earnings beginning of period	$ 7,068,112	$ 7,915,649	$ 9,236,690	$10,388,116	$11,229,482	$11,466,762
Net earnings for period	2,870,582	3,731,495	4,085,277	5,144,564	2,574,574	4,631,396
Dividends paid to shareholders on						
4½% 1st preferred shares	(270,000)	(270,000)	(272,328)			
4¾% 1st preferred shares 1965 series				(1,345,950)	(710,808)	(1,401,873)
6% non-cumulative participating preferred shares	(358,371)	(358,371)	(430,045)	(477,828)	(262,805)	(525,611)
Common shares	(1,394,674)	(1,782,083)	(2,231,478)	(2,479,420)	(1,363,681)	(2,727,362)
Retained earnings end of period	$ 7,915,649	$ 9,236,690	$10,388,116	$11,229,482	$11,466,762	$11,443,312

POWER CORPORATION OF CANADA, LIMITED
AND CONSOLIDATED SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED INVESTMENT RESERVE

	For the years ended June 30				Six months ended December 31,	Year ended December 31,
	1963	1964	1965	1966	1966	1967
Balance beginning of period	$13,263,006	$50,175,142	$62,733,888	$73,320,471	$80,705,445	$80,519,829
Surplus realized on investment changes during the period	36,912,136	12,558,746	10,879,928	10,389,591	258,368	3,605,007
Discount on purchase for cancellation of first preferred shares and 5½% debentures					31,923	69,549
	50,175,142	62,733,888	73,613,816	83,710,062	80,995,736	84,194,385
Less:						
Cost absorbed under share option plan			183,290	385,068	414,598	326,444
Office furniture and improvements to leased premises			110,055	64,804	39,109	6,509
Commission and expenses of issuing first preferred shares 1965 series				2,374,745		
Commission and expenses of issuing income debentures of a subsidiary					22,200	28,750
Premium on redemption of 4½% 1st preferred shares				180,000		
	—	—	293,345	3,004,617	475,907	361,703
	50,175,142	62,733,888	73,320,471	80,705,445	80,519,829	83,832,682
Excess of net assets over cost of investment in subsidiaries	(411,302)	2,685,930	2,635,592	2,601,602	2,621,744	2,634,435
	49,763,840	65,419,818	75,956,063	83,307,047	83,141,573	86,467,117
Less: Appropriation to reduce cost of certain unquoted securities	—	—	—	—	—	11,530,000
Balance end of period	$49,763,840	$65,419,818	$75,956,063	$83,307,047	$83,141,573	$74,937,117

POWER CORPORATION OF CANADA, LIMITED
and consolidated subsidiary companies

STATEMENT OF CONSOLIDATED INVESTMENT PORTFOLIO
As at December 31, 1967

Notes and Debentures

Principal Amount	Description	Average Cost	Valuation: Unquoted, at cost (Note 2)	Valuation: Quoted at Market Value
$ 400,000	Bahamas-Caribbean Development Corp.	$ 400,000	$ 400,000	
1,603,972	Capital Management Limited	1,593,078	343,078	
400,000	Laurentide Financial Corporation Ltd.	364,000	364,000	
330,000 Aus.	Liverpool Plains Pastoral Co. Pty. Limited	400,950	400,950	
438,061 Aus.	Power Mining Limited	535,530	535,530	
2,300,000	Quebec Telemedia Inc.	2,300,000	2,300,000	
4,000,000 U.S.	Travelodge Australia Limited, Group of Companies	4,292,146	4,292,146	
	Miscellaneous	652,000	652,000	
		10,537,704	9,287,704	

Preferred and Class A Shares

No. of Shares		Description	Average Cost	Valuation: Unquoted, at cost (Note 2)	Valuation: Quoted at Market Value
500,000		Bahamas-Caribbean Development Corp.	500,000	500,000	
344,240		Canada Steamship Lines Limited	2,220,388		$ 1,807,260
165,376		Canadian Industrial Gas and Oil Ltd.	1,653,760		1,714,949
895,000		Capital Management Limited	895,000	895,000	
491,200		Consolidated-Bathurst Limited	4,364,559		9,882,944
5,500		Dominion Glass Company Ltd.	65,470		60,500
65,000		Inspiration Limited	1,457,000		1,105,000
500,000		Laurentide Financial Corporation Ltd.—Subordinated	9,000,000	3,649,966	
165,000		North American Recreation Industries Ltd.	1,650,000	1,650,000	
		Miscellaneous	352,300	102,300	
			22,158,477	6,797,266	14,570,653

Common Shares

		Description	Average Cost	Valuation: Unquoted, at cost (Note 2)	Valuation: Quoted at Market Value
1,815,190		Bahamas-Caribbean Development Corp.	$ 1,485,939		$ 1,306,937
773,850		Canada Steamship Lines Limited	21,039,624		18,765,862
2,715,500	A	Canadian Interurban Properties Ltd.	7,732,850		8,553,825
10,363	B	Capital Management Limited	344,122	$ 344,122	
1,000,000		Chemcell Limited	7,330,994		7,620,000
658,392		Congoleum-Nairn Inc.	4,649,537		16,354,457
925,000	C	Consolidated-Bathurst Limited	47,643,098		20,999,002
3,969		Dominion Electric Protection Company	677,675	677,675	
655,147		Dominion Glass Company Ltd.	10,096,112		5,896,323
1,674,556	A	Inspiration Limited	2,801,859		1,842,012
186,200		International Utilities Corp.	3,451,776		7,866,950
297,000		Laurentide Financial Corporation Ltd.	3,046,835		1,084,050
3,000,000		Laurentide Financial Corporation Ltd. Sub. Conv.	4,679,966	—	
506,000	B	Liverpool Plains Pastoral Co. Pty. Ltd.	215,177	215,177	
110,000		North American Recreation Industries Ltd.	1,100,000	1,100,000	
2,000,000		Northern and Central Gas Corporation Ltd.	13,746,080		23,500,000
6,000	B	Power Mining Limited	7,335	7,335	
50,000		Quebec Telemedia Inc.	50,000	50,000	
100,000		Royal Bank of Canada	667,400		1,562,000
250,000		RoyWest Banking Corp. Ltd.	754,122	754,122	
200,000	B	Yorkshire Financial Corp. Ltd.	2,000,000	2,000,000	
		Miscellaneous	1,599,746	653,057	658,320
			135,120,247	5,801,488	116,009,738
			167,816,428		
		LESS: Appropriation to reduce cost of certain unquoted securities (Note 2)	11,530,000		
			$156,286,428	$ 21,886,458	$130,580,391

A) Unconsolidated subsidiaries whose statements are included in this circular.
B) Unconsolidated subsidiaries whose statements are not included as they are not material.
C) Valuation includes 285,000 Warrants to purchase common shares at $40 per share.

POWER CORPORATION OF CANADA, LIMITED
AND CONSOLIDATED SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Five Years and Six Months Ended December 31, 1967

1. PRINCIPLES OF CONSOLIDATION

(a) The consolidated balance sheet at December 31, 1967 includes the accounts of Power Corporation of Canada, Limited and its investment holding subsidiaries, but does not include the accounts of its operating subsidiaries—

Capital Management Limited, Canadian Interurban Properties Limited, Inspiration Limited, Yorkshire Financial Corporation Limited and Power's investments in Australia, Power Mining Limited, Liverpool Plains Pastoral Company Pty Limited and their subsidiaries. The financial statements of Canadian Interurban Properties Limited and Inspiration Limited, the two major subsidiaries, are presented separately in this circular.

(b) The statements of consolidated earnings and retained earnings and of investment reserve for the period of five years and six months ended December 31, 1967 include the accounts of Power Corporation of Canada, Limited and its investment holding subsidiaries but do not include the accounts of its operating subsidiaries and of those companies which, prior to December 31, 1967, ceased to be subsidiaries. Earnings of companies not included in the consolidated accounts have been taken into earnings only to the extent of dividends received. Such dividends amounted to —

(i) from operating subsidiaries for the years in which they were subsidiaries, 1964 — $21,875, 1966 — $239,425, 1966 (December 31) $135,775 and 1967 — $351,580, and

(ii) from companies which were subsidiaries at some time during the period but not at December 31, 1967. 1963 — $243,139, 1964 — $162,647 and 1965 — $383,203.

2. Unquoted securities and other investments are shown at cost with the exception of certain investments in Laurentide Financial Corporation, the cost of which has been reduced by $10,030,000. Unquoted securities of unconsolidated subsidiary companies are shown at cost with the exception of certain investments in Capital Management Limited and its subsidiaries, the cost of which has been reduced by $1,500,000. The total of these reductions, $11,530,000, has been appropriated from the investment reserve.

3. The investment holdings of foreign subsidiaries included in the consolidated statements have been converted to Canadian dollars at rates prevailing at the date of acquisition; all other balance sheet accounts of such subsidiaries have been converted at the rate prevailing at December 31, 1967. Income from such investments was converted at the rates prevailing at the time of receipt.

4. The Corporation's proportion of the aggregate losses less profits of its unconsolidated subsidiaries for their 1967 fiscal years as shown by their last audited financial statements amounted to $38,308. The Corporation's share of accumulated losses less profits of such subsidiaries since the respective dates of acquisition of control amounted to $936,429 which has not been provided for in the consolidated accounts.

5. Under the terms of a share option plan options have been granted from time to time to officers and employees to purchase common shares of the Corporation exercisable over various five-year periods at prices ranging from $5.00 to $14.50 per share. At January 1, 1967 there were options outstanding for the purchase of 70,750 common shares. During the year options on 35,250 common shares were exercised and those on 8,000 common shares lapsed, leaving options on 27,500 common shares outstanding. The Trustees of the Share Option Plan have 24,833 shares on hand, purchased in the open market, and available for the exercise of the outstanding options.

On March 20, 1967 the Corporation created a stock purchase plan with the Montreal Trust Company, William Anstruther Arbuckle and Arthur Deane Nesbitt as trustees thereof with the right to purchase in the market a maximum of 125,000 shares of the Corporation for the benefit of designated officers and employees. Such employees have purchased 71,000 shares at $10.00 per share which the trustees of the stock purchase plan have purchased with funds provided by the Corporation.

The difference between the average cost of the shares purchased and the amount receivable from employees under the terms of the Share Option Plan and Stock Purchase Plan has been charged to consolidated investment reserve.

6. During the year 7,150 first preferred shares of $50 par value, 1965 series, were purchased and cancelled and as a result both authorized and issued shares have been reduced accordingly.

7. The total remuneration received from the Corporation and its consolidated subsidiaries by Directors and Senior Officers of the Corporation and its consolidated subsidiaries during the year ended December 31, 1967 was $223,570, of which $126,281 was received by Directors as Directors and/or Officers of the Corporation and its consolidated subsidiaries. In addition, $8,000 was received by Directors of the parent company from unconsolidated subsidiaries.

8. An unconsolidated subsidiary and its subsidiary are defendants in various lawsuits arising out of a management agreement but legal counsel is of the opinion that such lawsuits are unfounded. The latter subsidiary is defendant in a lawsuit arising out of an insurance agreement against which suit a counterclaim has been made and management considers that the company's possible net liability is immaterial.

9 (A). Since December 31, 1967 the Corporation has realized $24,777,000 from the disposal of its holdings in Congoleum-Nairn Inc. and certain other quoted securities. The proceeds from these sales have been applied to:

a) the repayment of bank loans

b) the repayment of $2,000,000 of secured income debentures which matured March 15, 1968 and

c) the addition of the balance to the general funds of the Corporation.

(B) On March 25, 1968 the Board of Directors of the Corporation approved the making of a formal share exchange offer for all the common shares of Trans-Canada Corporation Fund. A tentative agreement has been reached, under the terms of which all common shareholders of Trans-Canada Corporation Fund would be offered one share of a new 5% cumulative redeemable convertible second preferred stock having a par value of $12.00. Gelco Enterprises Limited, owner of 53% of the common shares of Trans-Canada Corporation Fund, has agreed in principle to the acceptance of such an offer.

AUDITORS' REPORT

To the Directors,

Power Corporation of Canada, Limited.

We have examined the consolidated balance sheet of Power Corporation of Canada, Limited and consolidated subsidiary companies as at December 31, 1967 and the statements of consolidated earnings and retained earnings and of consolidated investment reserve for the period of five years and six months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations for the period then ended, in accordance with generally accepted accounting principles applied on a consistent basis, except for the change in valuation of investments referred to in note 2.

(signed) Touche, Ross, Bailey & Smart

Chartered Accountants.

Montreal, Que.
April 5, 1968.

To the Directors,

Power Corporation of Canada, Limited.

In our opinion the statement of consolidated investment portfolio of Power Corporation of Canada, Limited and consolidated subsidiary companies as at December 31, 1967 presents fairly the information which it purports to show.

(signed) Touche, Ross, Bailey & Smart

Chartered Accountants.

Montreal, Que.,
April 5, 1968.

CONSENT OF AUDITORS

To Power Corporation of Canada, Limited

We hereby consent to the use of our report dated April 5, 1968 on the consolidated balance sheet of Power Corporation of Canada, Limited as at December 31, 1967 and the statements of consolidated earnings and retained earnings, and of consolidated investment reserve for the period of five years and six months then ended, and to the use of our report dated April 5, 1968 on the statement of consolidated investment portfolio as at December 31, 1967, both appearing in the circular dated April 26, 1968 accompanying the Offer by Power Corporation of Canada, Limited to the holders of common shares of Trans-Canada Corporation Fund.

(signed) Touche, Ross, Bailey & Smart

Chartered Accountants.

Montreal, Que.
April 5, 1968.

INSPIRATION LIMITED
and subsidiary companies

CONSOLIDATED BALANCE SHEET
As at December 31, 1967

Assets

CURRENT		
Cash		35,137
Accounts receivable and unbilled work in progress, net (Note 2)		17,367,227
Inventories, valued at the lower of cost or net realizable value		6,321,859
Prepaid expenses		116,444
		23,840,667
SUNDRY INVESTMENTS		238,587
FIXED (Note 3)		
Land		467,952
Buildings		2,012,205
Plant and equipment		13,875,521
	16,355,678	
Less accumulated depreciation	8,445,161	
		7,910,517
OTHER (Note 4)		
Deferred charges		752,351
Goodwill		574,082
		1,326,433
		$33,316,204

Liabilities

CURRENT		
Bank indebtedness (Note 5)		5,829,840
Accounts payable and accrued charges (Note 6)		11,728,612
Current portion of long-term debt		868,113
Income and other taxes payable		455,612
		18,882,177
LONG-TERM DEBT (Note 7)		1,256,404
MINORITY INTERESTS		88,753
		20,227,334

Shareholders' Equity

CAPITAL STOCK (Note 8)		
$1.50 cumulative redeemable convertible preferred shares of $25 par value		
Authorized — 300,000 shares		
Issued — 271,291 shares (1966 — 131,070 shares)		6,782,275
Common shares without nominal or par value		
Authorized — 10,000,000 shares		
Issued — 3,211,160 shares (1966 — 3,205,060 shares)		8,492,700
		15,274,975
DEFICIT		2,186,105
		13,088,870
		$33,316,204

ON BEHALF OF THE BOARD

W. I. M. TURNER JR. Director.

W. F. DAWSON, Director.

INSPIRATION LIMITED
and subsidiary companies

CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT
For the Five Years Ended December 31, 1967

	1963	1964	1965	1966	1967
GROSS REVENUE	$20,718,676	$26,301,938	$44,260,721	$72,770,617	$70,686,723
NET OPERATING PROFIT (loss) before the undernoted items	(526,114)	284,085	1,005,851	1,987,067	910,660
OTHER INCOME					
Excess of pension fund over actuarial requirements			302,240		
Refund on termination of pension plan less applicable income taxes of $37,595					37,596
Income earned on investments	10,721				6,695
Gain on disposal of fixed assets (net)	158,935	32,061	61,778	146,000	68,978
Gain on sale of investments	108,642	17,396			
Gain on sale of mining claims					38,433
	(247,816)	333,542	1,369,869	2,133,067	1,062,362
OTHER CHARGES					
Depreciation (Note 11)	635,999	416,642	518,730	779,240	1,273,011
Interest on long-term debt	73,998	72,148	68,300	75,655	92,311
	709,997	488,790	587,030	854,895	1,365,322
Net earnings (loss) before provision for taxes on income	(957,813)	(155,248)	782,839	1,278,172	(302,960)
Provision for taxes on income	(73,401)	—	—	25,000	111,958
	(884,412)	(155,248)	782,839	1,253,172	(414,918)
Minority interests					2,371
Net earnings (loss) (Notes 2 and 10)	(884,412)	(155,248)	782,839	1,253,172	(417,289)
Deficit, at beginning of year	383,901	1,413,238	2,137,992	1,539,590	527,779
	1,268,313	1,568,486	1,355,153	286,418	945,068
Dividends paid on preferred shares					294,545
Write down of appraisal increment applicable to fixed assets disposed of during the year (Note 3)	144,925	355,339	184,437	241,361	141,284
Write-off of all unsettled claims set up in previous years (1963 and prior) and litigation loss ($58,377) originating in 1960					655,305
Provision for loss on the devaluation of the pound sterling					149,903
Conversion of fixed assets to service life method (Note 11)		214,167			
Deficit, at end of year	$ 1,413,238	$ 2,137,992	$ 1,539,590	$ 527,779	$ 2,186,105

INSPIRATION LIMITED
and subsidiary companies

Notes to the Consolidated Financial Statements
For the Five Years ended December 31, 1967

1. Principles of Consolidation

The consolidated financial statements of Inspiration Limited include the accounts of all its subsidiaries, both domestic and foreign. The accounts of the foreign subsidiaries have been converted to Canadian dollars at current exchange rates except for fixed assets, depreciation charges and equities which were converted at historical rates. Consolidated deficit has been charged with foreign exchange losses arising from the devaluation of the pound sterling.

In addition to normal foreign exchange restrictions, the retained earnings of foreign subsidiaries are subject to withholding taxes if and when remitted to the parent company.

2. Accounts Receivable and Unbilled Work in Progress

This balance sheet item comprises trade accounts receivable, progress billings (including holdbacks) on uncompleted construction contracts and unbilled direct costs thereon adjusted for estimated profits and losses.

In prior years, profits and losses on contracts in progress have been estimated as at year end on a percentage of completion basis and included in gross revenue. This practice has been followed in the year under review with the exception that in respect to any major contracts where losses are contemplated as of the date of this report, full provision has been made for the amount of the estimated loss. This procedure results in an additional charge to operations of $305,000.

3. Fixed Assets

Fixed assets of Inspiration Limited and certain of its subsidiaries, on hand at December 31, 1960, were valued on the basis of depreciated replacement values as determined by Warnock Hersey Appraisal Company Limited in 1961. At that time this value was in excess of the depreciated cost by $3,306,000. Disposal of fixed assets on hand at December 31, 1960, have been recorded at their depreciated replacement value, resulting in the excess being reduced by $1,259,000 to $2,047,000 as at December 31, 1967. This latter amount is being written down only as the underlying assets are sold.

All other fixed assets are carried at cost.

4. Other Assets

Deferred charges comprise the following:

Deferred pension costs	231,378
Costs of issue of preferred shares	445,972
Acquisition costs of Boyles	48,769
Deferred relocation costs of Boyles (Note 9)	26,232
	$752,351

The deferred pension costs are being recovered through employer portion of current contributions. It is the intention of management to amortize the other deferred charges over a five year period.

Goodwill represents the excess of cost of investment in subsidiary companies over net tangible book assets acquired.

5. Bank Indebtedness

As at December 31, 1967 Inspiration Limited's bank loan amounted to $4,000,000 and was secured by the hypothecation of the shares of Boyles Industries Limited, the major subsidiary included in these consolidated financial statements.

6. Accounts Payable

This item includes debts totalling $134,000 secured by fixed assets as well as holdbacks to sub-contractors.

7. Long-term Debt

	Total	Long-term	Current
Notes payable			
due in two equal annual instalments beginning in 1968			
5% interest	658,533	329,266	329,267
Non-interest bearing	960,776	480,388	480,388
Balance of purchase price of shares in "Bremner" company due in equal annual instalments until 1970	54,000	36,000	18,000
Purchase of head office building			
7% mortgage, due in monthly instalments until 1987	220,601	215,491	5,110
Balance of purchase price, due in equal annual instalments until 1970 with interest at 7%	30,000	20,000	10,000
Other mortgages repayable 1968 to 1985	200,607	175,259	25,348
	$2,124,517	$1,256,404	$868,113

8. Capital Stock

The company obtained Supplementary Letters Patent increasing its authorized capital stock by 5,000,000 common shares of no par value and by 167,000 $1.50 cumulative redeemable convertible preferred shares of $25 par value.

The holders of the preferred shares are entitled to convert their holdings into common shares of the company on the following basis:

Until December 31, 1971 — 11 common shares for each preferred share

January 1, 1972 to December 31, 1976 — 10 common shares for each preferred share

During the year the following changes occurred in the company's issued capital stock:

(1) 140,000 preferred shares were issued for a consideration of $3,500,000.

(2) 321 preferred shares, at par and 5,000 common shares ($5,098) were issued for additional shares of subsidiaries.

(3) 100 preferred shares were converted into 1,100 common shares.

Under the terms of the rights attached to the preferred shares, 2,984,201 common shares are reserved for conversion purposes.

No employee stock options are now outstanding.

9. Commitments and Contingencies

A subsidiary company, Boyles Industries Limited, is in the process of transferring its head office and its principal domestic manufacturing operations to Toronto and Orillia, Ontario respectively. New building costs at Orillia (for which a contract was signed in 1967) are estimated at $700,000, and additional relocation costs at $300,000.

Legal proceedings and actions are pending against the company and certain of its subsidiaries. These claims are being contested and while the ultimate liability, if any, cannot be determined, in the opinion of management and counsel, it will not be material.

10. Acquisition of Subsidiaries

As at April 30, 1965, Inspiration Limited acquired all of the outstanding shares of Douglas Bremner Contractors & Builders Ltd. The figures for 1965 therefore include eight months operations of this company and its subsidiary.

During the latter part of December 1966, Inspiration Limited acquired 99.44% of the outstanding shares of Boyles Industries Limited. As control of this company and its subsidiaries was obtained only in late 1966, Inspiration Limited did not include any of the "Boyles" net earnings for the year 1966 however they are reflected for the complete year in 1967.

11. Depreciation

In 1964, Inspiration Limited adopted a service life basis of depreciating the cost of its fixed assets instead of charging depreciation on the diminishing balance method. This change in practice necessitated a charge to the deficit account of $214,167 being the amount required to adjust the undepreciated cost of fixed assets as at January 1, 1964 to the service life method.

The charge to operations in 1964 was $181,126 less than it would otherwise have been.

AUDITORS' REPORT

To the Directors,
Inspiration Limited.

We have examined the consolidated balance sheet of Inspiration Limited and its subsidiary companies as at December 31, 1967 and the consolidated statement of earnings and deficit for the five years then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the consolidated financial position of the companies as at December 31, 1967 and the results of their operations for the five years then ended, in accordance with generally accepted accounting principles applied on a consistent basis with the exceptions of the procedures outlined in Notes 2 and 11 with which we concur.

(signed) CAMPBELL, SHARP, MILNE & CO.
Chartered Accountants.

Montreal, March 29, 1968.

LETTER OF CONSENT

Power Corporation of Canada Limited,
Montreal, P.Q.

We hereby consent to the use of our report, dated March 29, 1968, on the consolidated balance sheet of Inspiration Limited and its subsidiary companies as at December 31, 1967 and the consolidated statement of earnings and deficit for the five years then ended, appearing in the circular dated April 26, 1968 accompanying the offer by Power Corporation of Canada Limited to the shareholders of Trans Canada Corporation Fund.

(signed) CAMPBELL, SHARP, MILNE & CO.
Chartered Accountants.

Montreal April 5, 1968.

CANADIAN INTERURBAN PROPERTIES LIMITED
and subsidiary companies

CONSOLIDATED BALANCE SHEET
As at December 31, 1967

Assets

Real estate	
Properties held for investment — at cost	$74,244,193
Less: Accumulated depreciation	4,854,198
	69,389,995
Land acquired for development (Note 1)	9,240,824
	78,630,819
Investments	
Shares of affiliated companies — at cost	566,850
Mortgages, receivables and advances	1,727,268
	2,294,118
Current	
Properties developed for sale — at cost	2,830,473
Prepaid expenses	185,546
Accounts receivable	1,320,025
Cash	144,752
	4,480,796
	$85,405,733

Liabilities

Shareholders' equity	
Capital stock	
Authorized — 12,000,000 shares without par value (Note 7)	
Issued and outstanding — 4,903,000 shares (Note 6)	$19,646,393
Surplus	4,703,716
	24,350,109
Long term indebtedness (Note 2)	46,822,686
Deferred income taxes (Note 3)	1,685,000
Minority interests in subsidiary companies	67,797
Current	
Bank loans	7,332,729
Mortgage advances — properties developed for sale	1,408,307
Accounts payable — construction	2,124,326
Accounts payable — operations	1,614,779
	12,480,141
	$85,405,733

On behalf of the Board

W. Howard Wert, Director

J. H. Lowden, Director

CANADIAN INTERURBAN PROPERTIES LIMITED
and subsidiary companies
CONSOLIDATED STATEMENT OF EARNINGS AND SURPLUS
For the Five Years and Four Months Ended December 31, 1967

	Year Ended August 31 1963	Year Ended August 31 1964	Year Ended August 31 1965	Four Months Ended December 31 1965	Year Ended December 31 1966	Year Ended December 31 1967
GROSS REVENUE	$4,650,511	$5,615,199	$6,296,749	$2,371,567	$7,303,575	$9,892,317
NET OPERATING PROFIT before the undernoted items	$2,690,960	$3,213,044	$3,510,545	$1,402,651	$4,182,806	$5,630,933
Interest on long term debt	2,098,830	1,778,179	1,907,414	699,474	2,080,936	2,854,453
Other interest	—	—	51,551	16,566	86,872	206,322
Leasehold rental	328,942	332,941	336,478	117,543	352,731	358,428
Depreciation (Note 4)	362,494	440,957	469,061	176,248	539,469	725,619
	2,790,266	2,552,077	2,764,504	1,009,831	3,060,008	4,144,822
NET EARNINGS before income taxes and minority interests	(99,306)	660,967	746,041	392,820	1,122,798	1,486,111
Provision for taxes on income (Note 3)	—	75,000	200,000	205,000	580,000	625,000
	(99,306)	585,967	546,041	187,820	542,798	861,111
Minority interests	—	—	1,200	1,759	5,330	48,852
NET EARNINGS for the period	(99,306)	585,967	544,841	186,061	537,468	812,259
SURPLUS, at beginning of period	74,978	97,105	2,061,672	2,641,194	2,661,201	4,108,759
Adjustment of equity in partially-owned subsidiary not previously consolidated (Note 1)	—	—	951	—	—	—
Discount on purchase for cancellation of debentures	—	1,050,000	—	—	—	—
Waiver of debenture interest	—	536,250	—	—	—	—
Surplus on disposal of investments and properties held for investment	121,433	—	449,030	41,596	1,325,390	322,028
	97,105	2,269,322	3,056,494	2,868,851	4,524,059	5,243,046
Dividends	—	207,650	415,300	207,650	415,300	539,330
SURPLUS, at end of period	$ 97,105	2,061,672	$2,641,194	$2,661,201	$4,108,759	$4,703,716

CANADIAN INTERURBAN PROPERTIES LIMITED
and subsidiary companies

Notes to Consolidated Financial Statements
For the Five Years and Four Months ended December 31, 1967

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include all subsidiaries of Canadian Interurban Properties Limited including William Teron Limited acquired effective January 1, 1967. The amount paid therefore in excess of the book value of assets purchased ($3,321,650.) has been applied to increase the value of land acquired for development.

2. LONG TERM INDEBTEDNESS

Long term indebtedness bears interest at various rates from 4½% to 8% and matures as follows:

	Total Principal	Instalments and Principal Balances Due Within One Year
Mortgages		
Due — within one year	$ 2,075,790	$ 2,075,790
— 2 to 5 years	2,829,853	69,656
— 6 to 10 years	6,998,081	215,702
— over 10 years	23,495,582	521,515
	35,399,306	2,882,663
First Mortgage Bonds		
5¼% series A due 1976	108,000	12,000
5½% series B due 1978	353,000	23,000
5½% series C due 1975	150,000	20,000
7½% sinking fund due 1992	3,000,000	45,000
7½% sinking fund due 1997	5,700,000	58,000
	9,311,000	158,000
Debentures and Notes		
4½% due 1977	900,000	—
6% due to 1974	1,212,380	114,000
	2,112,380	114,000
	$46,822,686	$ 3,154,663

3. INCOME TAX

By claiming depreciation for income tax purposes in excess of that recorded in the accounts, income taxes of $1,685,000 otherwise payable have been deferred to future years. The company adopted this practice in the period ended December 31, 1965 and accordingly the profits of prior years have been restated to reflect the income taxes applicable thereto. In 1967, income has been further reduced for tax purposes by deducting carrying charges applicable to land held for inclusion in future property investment programs. Income taxes have been reduced by $175,000 in the year ended August 31, 1965 and $250,000 in the year ended August 31, 1964 by the deduction from income of prior years' losses.

4. DEPRECIATION

The provision for depreciation is calculated on a sinking fund method based on the estimated useful life of each developed property and writes off the value of the improvements over that period in a series of instalments increasing at the rate of 5% compounded annually.

5. LEASEHOLD RENTAL

The company is committed under leases on income producing properties varying in length from 10 to 38 years. All major leases contain options to either renew the lease or purchase the property at the expiration of the existing term. The total minimum rental obligation under such leases aggregates $14,300,000. and is payable approximately as follows:

Years		Years	
1968 — 1970	$510,000	1987 — 1995	$250,000
1971 — 1976	540,000	1996 — 2004	270,000
1977 — 1985	475,000	2005	187,500
1986	400,000		

6. CAPITAL STOCK

During the year 750,000 shares were issued at $4. per share as partial consideration for the acquisition of all outstanding shares of William Teron Limited.

7. CAPITAL STOCK OPTIONS AND WARRANTS

The company has granted an option on 25,000 shares at $4. per share exercisable on or before December 31, 1971 and has issued share purchase warrants entitling the bearers thereof to subscribe for 125,000 shares at $4. per share on or before December 31, 1971.

8. ACQUISITION OF SUBSIDIARIES

The consolidated statement of earnings and surplus reflects the operations of all subsidiary companies from the date of formation or effective date of acquisition with the exception of a partially-owned subsidiary acquired in 1964 and consolidated in that year only to the extent of dividends received. Such dividends aggregated $60,000 and approximated the company's share of the subsidiary's earnings for the year ended August 31, 1964.

AUDITORS' REPORT

To the Directors,

Canadian Interurban Properties Limited.

We have examined the consolidated balance sheet of Canadian Interurban Properties Limited and its subsidiary companies as at December 31, 1967 and the consolidated statement of earnings and surplus for the five years and four months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have accepted the annual financial statements for the year ended August 31, 1963 which were reported on by another firm of chartered accountants.

In our opinion, these financial statements present fairly the consolidated financial position of the companies as at December 31, 1967 and the results of their operations for the five years and four months then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

(signed) CAMPBELL, SHARP, MILNE & Co.

Chartered Accountants.

Toronto, March 1, 1968

LETTER OF CONSENT

Power Corporation of Canada Limited,

Montreal, P.Q.

We hereby consent to the use of our report, dated March 1, 1968 on the consolidated balance sheet of Canadian Interurban Properties Limited and its subsidiary companies as at December 31, 1967 and the consolidated statement of earnings and surplus for the five years and four months then ended, appearing in the circular dated April 26, 1968 accompanying the offer by Power Corporation of Canada, Limited to the shareholders of Trans-Canada Corporation Fund.

(signed) CAMPBELL, SHARP, MILNE & Co.

Chartered Accountants.

Montreal, April 5, 1968.

Schedule 1

BY-LAW "X"

A By-law to increase the capital stock of the Company.

WHEREAS the capital stock of the Company consists of 1,986,300 first preferred shares of the par value of $50 each, issuable in one or more series, of which 586,300, designated "4¾% Cumulative Redeemable First Preferred Shares, 1965 Series" are issued and outstanding as fully paid and non-assessable and represent a paid-up capital of $29,315,000; 1,500,000 6% non-cumulative participating preferred shares of the par value of $5 each, of which 1,194,570 are issued and outstanding as fully paid and non-assessable and represent a paid-up capital of $5,972,850; and 10,000,000 common shares without nominal or par value, of which 6,198,550 are issued and outstanding as fully paid and non-assessable and represent a paid-up capital of $12,678,340; and

WHEREAS for the purpose of carrying out the objectives of the Company it is deemed expedient that the capital stock of the Company be increased in the manner and to the extent hereinafter set forth.

NOW THEREFORE BE IT AND IT IS HEREBY MADE, PASSED AND ENACTED THAT:

1. the authorized capital stock of the Company be increased—

(a) by the creation of 10,000,000 Second Preferred Shares of the par value of $12 each issuable in one or more series; and

(b) by the creation of an additional 92,760 6% non-cumulative participating preferred shares of the par value of $5 each ranking *pari passu* with the existing 6% non-cumulative participating preferred shares of the par value of $5 each; and

(c) by the creation of an additional 10,000,000 common shares without nominal or par value;

so that the total authorized capital stock of the Company shall consist of 1,986,300 first preferred shares of the par value of $50 each, issuable in one or more series, of which 586,300, designated "4¾% Cumulative Redeemable First Preferred Shares, 1965 Series", are issued and outstanding as fully paid and non-assessable; 10,000,000 Second Preferred Shares, issuable in one or more series; 1,592,760 6% non-cumulative participating preferred shares of the par value of $5 each, of which 1,194,570 are issued and outstanding as fully paid and non-assessable; and 20,000,000 common shares without nominal or par value, of which 6,198,550 are issued and outstanding as fully paid and non-assessable and represent a paid-up capital of $12,678,340.

2. The 10,000,000 Second Preferred Shares (herein called the "Second Preferred Shares") shall, as a class, carry and be subject to the preferences, priorities, rights, limitations, conditions and restrictions hereinafter set forth; and reference to one class or series of shares ranking on a parity with another class or series of shares shall mean ranking on a parity with respect to payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of the Company whether voluntary or involuntary to the extent of their respective rights in that connection.

(A) The directors of the Company may at any time and from time to time issue the Second Preferred Shares in one or more series, each series to consist of such number of shares as may before issuance thereof be determined by the directors.

(B) The directors of the Company may (subject as hereinafter provided and subject to the rights and preferences of the holders of the First Preferred Shares) from time to time fix before issuance the designation, rights, restrictions, conditions and limitations to attach to the Second Preferred Shares of each series including, without limiting the generality of the foregoing, the rate of preferential dividends, the dates of payment thereof, the redemption price and terms and conditions of redemption, voting rights and conversion rights (if any) and any sinking fund or other provisions attaching to the Second Preferred Shares of such series, the whole subject to the issue of Supplementary Letters Patent setting forth the designation, rights, restrictions, conditions and limitations attaching to the Second Preferred Shares of such series, provided however that no Second Preferred Shares of any series other than the Convertible Preferred Shares Series A (for which provision is hereinafter made) may be issued without the affirmative vote of not less than three-quarters in number of the Board of Directors.

(C) When any fixed cumulative dividends or amounts payable on a return of capital are not paid in full, the Second Preferred Shares of all series shall participate rateably in respect of such dividends including accumulations, if any, in accordance with the sums which would be payable on the said Second Preferred Shares if all such dividends were declared and paid in full, and on any return of capital in accordance with the sums which would be payable on such return of capital if all sums so payable were paid in full.

(D) The Second Preferred Shares shall be entitled (subject to the rights and preferences of the holders of the First Preferred Shares) to preference over the 6% non-cumulative Participating Preferred Shares ("Participating Preferred Shares") and the common shares of the Company and any other shares of the Company ranking junior to the Second Preferred Shares with respect to the payment of dividends and may (subject to the rights and preferences of the holders of the First Preferred Shares) also be given such other preferences over the Participating Preferred Shares and the common shares of the Company and any other shares of the Company ranking junior to the Second Preferred Shares as may be determined as to the respective series authorized to be issued.

(E) The Second Preferred Shares of each series shall rank on a parity with the Second Preferred Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Company whether voluntary or involuntary.

(F) No dividends shall at any time be declared or paid on or set apart for payment on any shares of the Company ranking junior to the Second Preferred Shares unless all dividends up to and including the dividend payable for the last completed quarter year on each series of Second Preferred Shares then issued and outstanding shall have been declared and paid or set aside for payment at the date of such declaration or payment or setting apart for payment on such shares of the Company ranking junior to the Second Preferred Shares nor shall the Company call for redemption or redeem or purchase for cancellation or reduce or otherwise pay off any of the Second Preferred Shares (less than the total amount then outstanding) or any shares of the Company ranking junior to the Second Preferred Shares unless all dividends up to and including the dividend payable for the last completed quarter on each series of the Second Preferred Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such call for redemption, or redemption, purchase, reduction, or other payment off.

(G) Second Preferred Shares of any series may be subject to redemption at such times and at such prices (subject to the rights and preferences of the holders of the First Preferred Shares and subject to the foregoing provisions hereof) and upon such other terms and conditions as may be specified in the rights, restrictions, conditions and limitations attaching to the Second Preferred Shares of such series as set forth in the resolution of the Board of Directors of the Company and Supplementary Letters Patent relating to such series. Upon the redemption of any Second Preferred Shares the shares so redeemed shall be cancelled.

(H) The holders of the Second Preferred Shares shall not, as such, be entitled as of right to subscribe for or purchase or receive any part of any issue of shares or of bonds, debentures or other securities of the Company now or hereafter authorized.

(I) No class of shares may be created ranking as to capital or dividends prior to or on a parity with the Second Preferred Shares without the approval of the holders of the Second Preferred Shares given as hereinafter specified nor shall any additional Second Preferred Shares be created without such approval.

(J) The holders of Second Preferred Shares shall be entitled to receive notice of and attend any meetings of shareholders, with the exception of any meeting of the holders of any shares of a different class held separately, and shall be entitled to one vote at any such meeting in respect of each Second Preferred Share held.

(K) The provisions of paragraphs (A) to (J) hereof inclusive, the provisions of this paragraph and the provisions of paragraph (L) hereof may be repealed, altered, modified, amended or amplified by Supplementary Letters Patent but only with the approval of the holders of the Second Preferred Shares given as hereinafter specified in addition to any other approval required by the Canada Corporations Act.

(L) The approval of holders of the Second Preferred Shares as to any and all matters referred to herein may be given by compromise or arrangement under the Canada Corporations Act or by resolution passed or by by-law sanctioned at a meeting of holders of Second Preferred Shares duly called at which the holders of at least a majority of the outstanding Second Preferred Shares are present or represented by proxy and carried by the affirmative vote of the holders of not less than sixty-six and two-thirds per cent (66⅔%) of the Second Preferred Shares represented and voted at such meeting cast on a poll, in addition to such other vote (including the vote of other classes of shareholders) as may be required by the Canada Corporations Act. If at any such meeting the holders of a majority of the outstanding Second Preferred Shares are not present or represented by proxy within half an hour after the time appointed for the meeting, then the meeting shall be adjourned to such date being not less than twenty-one (21) days later and to such time and place as may be appointed by the Chairman and at least fifteen (15) days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called. At such adjourned meeting the holders of Second Preferred Shares present or represented by proxy may transact the business for which the meeting was originally convened and a resolution passed thereat by the affimative votes of the holders of not less than sixty-six and two-thirds

per cent (66⅔%) of the Second Preferred Shares represented and voted at such adjourned meeting cast on a poll shall constitute the approval of the holders of Second Preferred Shares referred to above. The formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed in the by-laws of the Company with respect to meetings of shareholders. On every poll taken at every such meeting or adjourned meeting every holder of Second Preferred Shares shall be entitled to one (1) vote in respect of each Second Preferred Share held.

(M) 4,237,490 of the said Second Preferred Shares together with all additional Second Preferred Shares hereafter authorized which have the same attributes and which may from time to time be issued on the same terms and conditions as the said 4,237,490 Second Preferred Shares are hereby designated as the "5% Cumulative Redeemable Convertible Second Preferred Shares Series A" (Convertible Preferred Shares Series A) and in addition to the preferences, priorities, rights, limitations, conditions and restrictions attaching to all Second Preferred Shares as a class, the preferences, priorities, rights, limitations, conditions and restrictions attaching to the Convertible Preferred Shares Series A shall be as follows:

(i) The holders of the Convertible Preferred Shares Series A shall be entitled to receive as and when declared by the directors out of the monies of the Company properly applicable to the payment of dividends, fixed preferential cumulative cash dividends at the rate of sixty cents ($0.60) per share per annum and no more, payable (except with respect to the first dividends) in quarterly instalments in lawful money of Canada on the 15th day of each of the months February, May, August and November of each year (each of which is hereinafter called a "dividend payment date"), the first of such dividends to become payable not later than the second dividend payment date immediately following the date when the same shall have commenced to accrue; such dividends shall accrue from such date or dates as may be determined by the Board of Directors of the Company prior to the issue thereof or, in case no date shall be determined, from the date of issue. Warrants or cheques of the Company payable at par at any branch of the Company's bankers for the time being in Canada may be issued in respect to such dividends and payment thereof shall satisfy such dividends; if on any dividend payment date the Company shall not have paid the said dividends in full on all Convertible Preferred Shares Series A then issued and outstanding, such dividends or the unpaid part thereof shall be paid on a subsequent date or dates (subject to the rights and preferences of the holders of the First Preferred Shares) in priority to dividends on the Participating Preferred Shares and the common shares and on any shares of any other class ranking junior to the Convertible Preferred Shares Series A.

(ii) In the event of the liquidation, dissolution or winding-up of the Company or other distribution of its assets among the shareholders by way of return of capital, the holders of the Convertible Preferred Shares Series A shall be entitled to receive the amount paid up thereon, together with all unpaid cumulative dividends, whether or not earned or declared, which shall have accrued thereon and which, for such purpose, shall be treated as accruing up to the date of such distribution (subject to the rights and preferences of the holders of the First Preferred Shares) in priority to any distribution to the holders of the Participating Preferred Shares and the common shares or any shares of any other class ranking junior to the Convertible Preferred Shares Series A and such holders shall not be entitled to share any further in the distribution of the property or assets of the Company.

(iii) At any time after May 31, 1973, but subject to the provisions of subsection (3) of section 49 or of section 61 of the Canada Corporations Act, as the case may be, and to the provisions of paragraph 2(F) hereof, the Company may, in the manner hereinafter provided, subject to the rights and preferences of the holders of the First Preferred Shares, redeem all or from time to time any part of the outstanding Convertible Preferred Shares Series A on payment to the holders thereof of the amount paid up thereon, together with all unpaid cumulative dividends, whether or not earned or declared, which shall have accrued thereon and which, for such purpose, shall be treated as accruing up to the date of such redemption.

(iv) Before redeeming any Convertible Preferred Shares Series A the Company shall mail to each person who, at the date of such mailing, is a registered holder of shares to be redeemed, notice of the intention of the Company to redeem such shares held by such registered holder. Such notice shall be mailed by ordinary prepaid post addressed to the last address of such holder as it appears on the books of the Company or, in the event of the address of any such holder not appearing on the books of the Company, then to the last known address of such holder, at least thirty (30) days before the date specified for redemption. Such notice shall set out the redemption price, the date on which redemption is to take place and, if part only of the shares held by the person to whom it is addressed is to be redeemed, the number thereof so to be redeemed. In case a part only of the then outstanding Convertible Preferred Shares Series A is at any time to be redeemed the shares so to be redeemed shall be selected by lot or pro rata as shall from time to time be determined by the Board of Directors. On and after the date

so specified for redemption the Company shall pay or cause the redemption price to be paid to the registered holders of the shares to be redeemed on presentation and surrender of the certificates for the shares so called for redemption at the head office of the Company or at such other place or places as may be specified in such notice and the certificates for such shares shall thereupon be cancelled and the shares represented thereby shall thereupon be and be deemed to be redeemed; from and after the date specified for redemption in such notice, the holders of such shares called for redemption shall cease to be entitled to dividends and shall not be entitled to any rights in respect thereof, except to receive the redemption price, unless payment of the redemption price shall not be made by the Company in accordance with the foregoing provisions, in which case the rights of the holders of such shares shall remain unimpaired. The Company shall have the right to deposit the redemption price of the shares called for redemption in a special account with any chartered bank or trust company in Canada named in the notice of redemption to be paid, without interest, to or to the order of the respective holders of such shares called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the same and, upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the shares in respect whereof such deposit shall have been made shall be deemed to be redeemed and the rights of the several holders thereof, after such deposit or redemption date, as the case may be, shall be limited to receiving out of the moneys so deposited, without interest the redemption price payable with respect to their respective shares against presentation and surrender of the certificates representing such shares. If such redemption is made pursuant to the provisions of subsection (3) of section 49 of the Canada Corporations Act, then upon filing of the notice provided in section 62 of the Canada Corporations Act, the authorized and issued capital of the Company shall be thereby decreased and the shares so redeemed shall be thereupon cancelled.

(v) Subject to the rights and preferences of the holders of the First Preferred Shares and subject to the provisions of subsection (3) of section 49 or of section 61 of the Canada Corporations Act, as the case may be, and to the provisions of paragraph 2(F) hereof, the Company may at any time or times purchase for cancellation out of capital or otherwise, the whole or any part of the Convertible Preferred Shares Series A outstanding from time to time in the open market or by tender at the lowest price at which in the opinion of the Board of Directors such shares are obtainable, but such price shall not in any case exceed the amount paid up plus dividends accrued thereon to the date of purchase plus customary brokerage, and from and after the date of such purchase under the provisions of this paragraph the shares so purchased shall be deemed to be redeemed, cancelled and retired and the amount of the outstanding Convertible Preferred Shares Series A shall be reduced accordingly. If such purchase is made pursuant to the provisions of subsection (3) of section 49 of the Canada Corporations Act, then upon filing of the notice provided in section 62 of the Canada Corporations Act, the authorized and issued capital of the Company shall be thereby decreased and the shares so purchased for cancellation shall be thereupon cancelled. If, in response to an invitation for tenders, two (2) or more shareholders submit tenders at the same price and any of such tenders are accepted by the Company in whole or in part, then, unless the Company accepts all such tenders in whole, the Company shall accept such tenders in proportion as nearly as may be to the number of shares offered in each such tender.

Notwithstanding anything in the immediately preceding subparagraphs (iii), (iv) and (v) of subparagraph (M) of paragraph (2) hereof, so long as any First Preferred Shares of any series are outstanding, the Company shall not purchase or redeem any Second Preferred Shares unless there shall have been declared and paid or set apart for payment on any series of First Preferred Shares then outstanding, all dividends thereon, theretofore accrued and remaining unpaid, if any, and the instalment of dividends in respect of the then current quarterly dividend period, and either (i) such purchase or redemption be made out of the proceeds of an issue of shares ranking after First Preferred Shares of any series and within 60 days immediately following any such issue, or (ii) the Net Tangible Assets as defined in the preferences, rights, restrictions, conditions, limitations and prohibitions attaching to the 4¾% Cumulative Redeemable First Preferred Shares 1965 Series after giving effect to any such purchase or redemption, shall be an amount equal to at least two (2) times the aggregate of the amount paid up on all First Preferred Shares of all series then outstanding.

(vi) Upon and subject to the terms and conditions hereinafter set forth, each Convertible Preferred Share Series A shall be convertible at the option of the holder at any time up to the close of business on May 31, 1978 or to the close of business on the day immediately prior to the date fixed for redemption of such Convertible Preferred Share Series A, whichever is the earlier, into one (1) fully-paid and non-assessable common share without nominal or par value in the capital of the Company, subject to the provisions of this paragraph (M); a holder of Convertible Preferred Shares Series A desiring to convert the same into common shares of the Company in accordance with the foregoing shall

surrender to the transfer agent of the Company for the time being of the Convertible Preferred Shares Series A, the certificate or certificates representing the Convertible Preferred Shares Series A which he desires to convert, together with a written request for such conversion, which request shall state the name or names in which he wishes the certificates for common shares to be issued and the address to which he wishes such certificates for common shares to be sent and shall be verified as to signature in such manner as the Board of Directors of the Company may from time to time require; such holder shall also pay any governmental or other tax imposed in respect of such transaction; the conversion shall be deemed to take effect as of the date upon which the certificate or certificates shall be surrendered as aforesaid accompanied by the said written request unless such date be a Saturday, Sunday or holiday, in which event it shall take effect as of the next business day; provided that if any Convertible Preferred Shares Series A be surrendered for conversion during a period when the stock transfer books are closed, the registered holders thereof shall be deemed to become holders of record of common shares immediately upon the re-opening of the stock transfer books; in the event that part only of the shares represented by any certificate shall be converted, a certificate for the remainder of the shares represented by the said certificate shall be delivered to the holder without charge; the registered holders of any Convertible Preferred Shares Series A on the record date for any dividend payable on such shares shall be entitled to such dividend notwithstanding that such shares are converted into common shares after such record date and before the payment date of such dividend and the registered holders of the common shares resulting from such conversion shall be entitled to rank equally with the registered holders of all other common shares in respect of all dividends payable to holders of common shares of record on any date on or after the date of such conversion; there shall be no payment or adjustment on account of any accumulated or unpaid dividends on the Convertible Preferred Shares Series A converted or on account of any dividends on the common shares resulting from such conversion; notwithstanding anything herein contained, the right of conversion of any Convertible Preferred Shares Series A which may be called for redemption shall cease and terminate at the close of business on the business day immediately prior to the date specified for redemption; provided, however, that if the Company shall fail to redeem any such Convertible Preferred Shares Series A in accordance with the notice of redemption, the right of conversion shall thereupon be restored and continue as before; in the event of any consolidation, subdivision or change in the common shares of the Company into a different number or different class of shares, the Company shall deliver at the time of the exercise of the right of conversion by the holders of any Convertible Preferred Shares Series A a certificate or certificates for such different number or different class or classes of shares as would have resulted from such consolidation, subdivision or change if the right of conversion had been exercised immediately prior to the date of such consolidation, subdivision or change.

(vii) The Company covenants and agrees that it will reserve and that so long as any of the Convertible Preferred Shares Series A are outstanding and entitled to the right of conversion herein provided it will at all times hold out of its unissued common shares and unissued shares of any other class against the conversion rights herein conferred on the holders of the Convertible Preferred Shares Series A, a sufficient number of unissued common shares and unissued shares of any other class to enable all of the Convertible Preferred Shares Series A outstanding to be converted upon the basis and upon the terms and conditions provided for by this paragraph (M). All shares which shall be issued upon the exercise of the right of conversion herein provided for shall be issued as fully-paid and non-assessable shares.

Nothing herein contained shall affect or restrict the right of the Company to increase the number of its common shares in accordance with the provisions of the Canada Corporations Act and to issue such shares from time to time.

(viii) If at any time on or before May 31, 1978, the Company proposes to pay any dividend on its common shares payable in shares in the capital of the Company or payable at the option of the holders in shares in the capital of the Company or in cash, the Company shall so notify each registered holder of Convertible Preferred Shares Series A by written notice given (in the manner provided for the giving of notice of redemption) at least thirty (30) days prior to the earlier of (a) the date fixed by the Company as the record date in connection with such dividend or (b) the date, if any, fixed by the Company for the closing of the registers of transfers of the common shares prior to the applicable record date.

(ix) If any question shall at any time arise with respect to adjustments of the conversion privilege as aforesaid, such question shall be conclusively determined by the then auditors of the Company and any such determination shall be binding upon the Company and all transfer agents and all shareholders of the Company.

(x) If at any time on or before May 31, 1978 the Company proposes to issue subscription warrants or other rights to the holders of its common shares generally to purchase shares in the capital of the Company or any subsidiary of the Company, the holder of each Convertible Preferred Share Series A shall be entitled to receive such subscription warrants or other rights as if such Convertible Preferred Share Series A were a common share.

(xi) The directors may at any time or times or from time to time pass a by-law or by-laws authorizing an application for Supplementary Letters Patent whereby all or any of the rights, preferences, priorities, limitations, conditions and restrictions attaching to or affecting the Convertible Preferred Shares Series A may be amended, modified, suspended, altered and/or repealed but no such by-law or by-laws shall be effective or acted upon unless and until confirmed by resolution passed at a meeting of the holders of Convertible Preferred Shares Series A duly called for considering the same at which the holders of at least a majority of the outstanding Convertible Preferred Shares Series A are present or represented by proxy and carried by the affirmative vote of the holders of not less than sixty-six and two-thirds per cent (66⅔%) of the Convertible Preferred Shares Series A represented and voted at such meeting cast on a poll, in addition to such other vote (including the vote of other classes of shareholders) as may be required by the Canada Corporations Act. If at any such meeting the holders of a majority of the outstanding Convertible Preferred Shares Series A are not present or represented by proxy within half an hour after the time appointed for the meeting, then the meeting shall be adjourned to such date being not less than twenty-one (21) days later and to such time and place as may be appointed by the Chairman and at least fifteen (15) days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called. At such adjourned meeting the holders of Convertible Preferred Shares Series A present or represented by proxy may transact the business for which the meeting was originally convened and a resolution passed thereat by the affirmative votes of the holders of not less than sixty-six and two-thirds per cent (66⅔%) of the Convertible Preferred Shares Series A represented and voted at such adjourned meeting cast on a poll shall constitute the approval of the holders of Convertible Preferred Shares Series A referred to above. The formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed in the by-laws of the Company with respect to meetings of shareholders. On every poll taken at every such meeting or adjourned meeting every holder of Convertible Preferred Shares Series A shall be entitled to one (1) vote in respect of each Convertible Preferred Share Series A held.

3. The Chairman, the President or any Vice-President together with the Secretary-Treasurer or any Assistant Secretary of the Company be and they are hereby authorized, upon the due sanctioning of this By-law by the shareholders of the Company at a special general meeting duly called for the purpose of considering the same, to present a petition to the Minister of Corporate and Consumer Affairs for and on behalf and in the name of the Company, requesting the issue of supplementary letters patent confirming this By-law, and to do and perform any and all such acts and things and to sign, seal, execute and deliver, for and on behalf and in the name of the Company, any and all such other deeds, documents, instruments and writings as they, in their entire discretion, may deem fit in order more fully to evidence and/or to render effective the foregoing provisions of this By-law and or to give effect hereto.

Schedule 2

BY-LAW "Y"

A By-law to amend the characteristics attaching to the former 6% First Cumulative Preferred Stock of the par value of $100 each, to the 6% non-cumulative Participating Preferred Shares and to the common shares.

IT IS HEREBY MADE, PASSED AND ENACTED THAT:

'A' the preferences, priorities, rights, privileges, limitations and conditions which attach to the six per cent (6%) first cumulative preferred stock of the par value $100.00 each (since redeemed and cancelled by Supplementary Letters Patent dated the 16th day of October 1964) and those which continue to attach to the 6% non-cumulative participating preferred shares and to the common shares in accordance with the Letters Patent and the Supplementary Letters Patent granted to the Company be varied and amended as follows:

(a) By deleting paragraph 1 thereof, and re-numbering paragraph 2 as paragraph 1;

(b) By deleting the word "remaining" where it qualifies the words "net profits" in former paragraph 2 (now re-numbered as paragraph 1) and adding after the words "each year" the following:

"remaining after provision for the dividends to which the holders of the first preferred shares and of the second preferred shares are entitled."

(c) By adding at the end of the said paragraph the following:

"provided, however, that, if the Directors from time to time declare dividends with respect to both the participating preferred shares and the common shares payable on a quarterly basis, they may declare dividends payable quarterly with respect to the common shares not in excess of dividends declared on a quarterly basis with respect to the participating preferred shares payable within the same calendar quarter as those paid in respect of the participating preferred shares."

so that the said paragraph will read as follows:

"1. The holders of the 6% non-cumulative participating preferred shares (the "participating preferred shares") shall be entitled to receive, out of the net profits of the Company available for dividends each year remaining after provision for the dividends to which to holders of the first preferred shares and of the second preferred shares are entitled, a non-cumulative dividend of six per cent (6%) per annum before any dividends shall be paid or set apart for the common shares, and the further right to participate, share and share alike, with the holders of the common shares in any dividends that may be paid or set apart in any year after payment of a dividend of thirty (30) cents per share with respect to the common shares provided, however, that, if the Directors from time to time declare dividends with respect to both the participating preferred shares and the common shares payable on a quarterly basis, they may declare dividends payable quarterly with respect to the common shares not in excess of dividends declared on a quarterly basis with respect to the participating preferred shares payable within the same calendar quarter as those paid in respect of the participating preferred shares".

(d) By re-numbering paragraph 3 as paragraph 2 and varying and amending the same as follows:

(i) by deleting all the words following the words "any distribution of capital" in the first paragraph of the said re-numbered paragraph 2 thereof;

(ii) by deleting the words "After payment as aforesaid to the holders of the first cumulative preferred stock" appearing at the commencement of the second paragraph of the said re-numbered paragraph 2;

(iii) by deleting the word "remaining" where it qualifies the words "assets and funds of the company" appearing in the second paragraph of the said re-numbered paragraph 2, and adding after the said words "assets and funds of the company" the words "remaining after payment in accordance with the prior rights, preferences and privileges of the holders of the first preferred shares and of the holders of the second preferred shares", and by replacing the words "to all classes of shareholders other than the holders of first cumulative preferred stock" by the words "the holders of the common shares or of any other shares ranking after the participating preferred shares";

(iv) by deleting the words "first cumulative preferred stock" where they first appear in the third paragraph of the said re-numbered paragraph 2 and substituting the words "the first preferred shares and of the second preferred shares and of"; and

(v) by adding after the immediately succeeding words "the participating preferred shares" the words "and of any other shares ranking in priority to the common shares";

so that the said paragraph will read as follows:

"2. Upon any dissolution or liquidation, in whole or in part, merger or consolidation of the Company, or upon any distribution of capital, the holders of the participating preferred shares shall be entitled to receive out of the assets and funds of the Company remaining after payment in accordance with the prior rights, preferences and privileges of the holders of the first preferred shares and of the holders of the second preferred shares, by preference over and in priority to the holders of the common shares or of any other shares ranking after the participating preferred shares, one hundred and ten per cent (110%) of the par value of the participating preferred shares held by them.

After payment as aforesaid to the holders of the first preferred shares and of the second preferred shares and of the participating preferred shares, and of any other shares ranking in priority to the common shares, the remaining assets and funds shall be divided among and paid to the holders of the common shares without nominal or par value, share and share alike".

(e) By deleting paragraphs 4 and 5 and re-numbering paragraph 6 as paragraph 3;

(f) By deleting the phrase commencing with the words "The first preferred shares" and ending with the words "that the foregoing" where they first appear in the said renumbered paragraph 3, replacing the same by the words "Any and all of the foregoing", and deleting the word "that" immediately preceding the phrase "the capital of the company may be increased";

(g) By deleting the phrase commencing with the words "of the class hereinabove described" and the remainder of the said re-numbered paragraph 3 and replacing the same with the following:

"or in the second preferred shares or the creation of any other shares ranking in priority to the participating preferred shares or in any other manner affecting the same shall not be authorized except with the consent and approval of the holders of the majority in value of the participating preferred shares then outstanding given at a meeting specially called for that purpose."

so that the said paragraph will read as follows:

"3. Any and all of the foregoing provisions may be modified or varied and the capital of the company may be increased or reduced at any time and from time to time by Supplementary Letters Patent, and the increased capital may be divided into several classes and have attached thereto any preferential, deferred, qualified or special rights, privileges or conditions, as to payment of dividends, distribution of assets, voting or otherwise as the other shareholders in general meeting may determine, provided, however, that any modification of the foregoing provisions or any increase in the first preferred shares or in the second preferred shares or the creation of any other shares ranking in priority to the participating preferred shares or in any other manner affecting the same shall not be authorized except with the consent and approval of the holders of the majority in value of the participating preferred shares then outstanding given at a meeting specially called for that purpose."

'B'. The Chairman, the President or any Vice-President together with the Secretary-Treasurer or any Assistant Secretary of the Company be and they are hereby authorized, upon the due sanctioning of this By-law by the shareholders of the Company at a special general meeting duly called for the purpose of considering the same, to present a petition to the Minister of Consumer and Corporate Affairs, for and on behalf and in the name of the Company, requesting the issue of supplementary letters patent confirming this By-law, and to do and perform any and all such acts and things and to sign, seal, execute and deliver, for and on behalf and in the name of the Company, any and all such other deeds, documents, instruments and writings as they, in their entire discretion, may deem fit in order more fully to evidence an/or to render effective the foregoing privisions of this By-law and or to give effect hereto.

Schedule 3

BY-LAW "Z"

A By-law to amend By-law "T" of the By-laws of the Company.

1. Article 3 of Section One of By-law "T" is amended by inserting in the second sentence after the words "the Chairman," the words "the Deputy Chairman,".

2. Article 2 of Section Two of By-law "T" is amended by inserting after the words "the Chairman" where they appear in the first sentence the words "by or by the order of the Deputy Chairman", and the insertion after the words "the Chairman" where they occur in the second sentence the words "or the Deputy Chairman".

3. Article 1 of Section Three of By-law "T" is amended by deleting the word and figure "eleven (11)" and replacing them by the word and figure "fifteen (15)".

4. Article 3 of Section Three of By-law "T" is amended by inserting after the words "the Chairman," where they appear in the first sentence of the third paragraph the words "the Deputy Chairman," and deleting the words "if any".

5. Article 16 of Section Three of By-law "T" is amended by deleting the words "Executive Committee" where they appear in the fourth and fifth paragraphs and subsituting the words "Executive and Finance Committee" and by inserting after the words "the Chairman" where they appear in the fifth paragraph the words "or the Deputy Chairman".

6. Article 1 of Section Four of By-law "T" is amended by deleting the words "if appointed" occurring in the first and last sentences of the first paragraph after the words "the Chairman" and by inserting in their place the words "the Deputy Chairman".

7. Article 2 of Section Four of By-law "T" is deleted and replaced by the following: Article 2. Chairman. The Chairman shall be the Chief Executive Officer, shall preside at all meetings of the Board of Directors and shall be responsible for execution of the policies of the Board and, subject to the control of the Board, shall have general direction of, and supervision over the affairs of the Company and shall exercise such other powers and authority and perform such other duties as the Directors may from time to time prescribe. The Chairman shall be ex-officio a member of all standing committees.

8. Section 4 of By-law "T" is amended by adding after Article 2 thereof, the following:

"Article 2 (a) Deputy Chairman.

The Deputy Chairman shall exercise all the powers of the Chairman in the absence of the Chairman or the inability of the Chairman to act. The Deputy Chairman shall be Chairman of the Executive and Finance Committee and shall also be ex officio a member of all standing Committees."

9. Article 3 of Section Four of By-law "T" is amended by adding after the words "the Chairman" where they appear in the second sentence "and of the Deputy Chairman".

10. Article 7 of Section Four of By-law "T" is amended by deleting the words "Executive Committee" in the first sentence and substituting the words "Executive and Finance Committee".

11. Section 5 of By-law "T" is deleted and replaced by the following:

SECTION FIVE
Executive and Finance Committee

Article 1. Election. The Directors shall from time to time whenever the Board of Directors consists of more than six (6) elect from their number an Executive and Finance Committee consisting of the Chairman and Deputy Chairman and such number of members, but not less than two (2), as the Directors may from time to time determine.

Article 2. Chairman, Quorum and Procedure. The Executive and Finance Committee shall have power to appoint a Vice-Chairman, to fix its quorum, which quorum shall consist of not less than a majority of its members, and to determine its own procedure.

Article 3. Secretary. The Secretary of the Company shall act as Secretary of the Executive and Finance Committee unless some other Secretary be appointed by the Executive and Finance Committee.

Article 4. Powers. The Executive and Finance Committee shall be authorized to exercise all of the powers and authority of the Directors when the Board of Directors is not in session, except such powers and authority which by law must be exercised by the Board of Directors only and subject to any restric-

tions or regulations from time to time imposed by the Directors. Additionally, the Committee shall act as consultants and advisers of the Board of Directors on all matters of general financial policy. The Committee shall maintain under periodic consideration the financial condition of the Company with due regard generally to present and prospective economic conditions in Canada, and particularly to present and prospective economic conditions in any and all industries of which the Company or any of its subsidiaries may for the time being form a part. The Chairman of the Committee shall ensure that every plan or proposal of the management of the Company which, if adopted, would materially affect the financial condition of the Company, shall, before its submission to the Board of Directors, be referred to the Committee for its consideration and report to the Board of Directors at that meeting at which such plan or proposal is submitted to the Board of Directors. Without derogating from the generality of the foregoing, the Committee shall, from time to time, at its discretion, review and, if deemed expedient, report to the Board of Directors upon or in respect of any of the following matters, namely:

(a) the investment of funds not required for normal operations and the temporary investment of operating funds;

(b) the Company's depreciation policy;

(c) the dividend policy of the Company;

(d) corporate tax policy and tax matters of material importance;

(e) the earnings of the Company;

(f) budgets and forecasts of capital expenditure, cash flow and earnings;

(g) acquisitions of, or mergers or amalgamations with, other businesses.

Article 5. Proceedings open to the Board. All proceedings of the Executive and Finance Committee shall be open to the examination of the Board of Directors of the Company and shall be reported to the Board of Directors if and when the Board of Directors so directs.

Article 6. Resolutions. The signature of all of the members of the Executive and Finance Committee to any resolution which might be passed by the Executive and Finance Committee shall give to such resolution the same force and effect as if such resolution had been unanimously passed by all of the members of the Executive and Finance Committee at a meeting held to consider the same.

Article 7. Meetings. Meetings of the Executive and Finance Committee may be held at the Head Office of the Company or at such other place within or without Canada as the Executive and Finance Committee may from time to time determine.

Meetings of the Executive and Finance Committee may be called by or by the order of the Chairman, by or by the order of the Deputy Chairman, by or by the order of the President, by or by the order of the Vice-Chairman of the Executive and Finance Committee, or by or by the order of any two members of the Executive and Finance Committee.

Article 8. Remuneration. The members of the Executive and Finance Committee shall be entitled to receive such remuneration for their services as members of the Executive and Finance Committee as the Directors may from time to time determine.

Article 9. Removal and filling of Vacancies. The Directors may from time to time remove any member of the Executive and Finance Committee from office.

The Directors may also from time to time fill any vacancy which may occur in the membership of the Executive and Finance Committee.

12. Article 1 Section Six of By-law "T" is amended by inserting in the second sentence after the words "the Chairman" where they appear in two places, the words "or the Deputy Chairman".

13. Article 1 of Section Eight of By-law "T" is amended by inserting in the first sentence after the words "the Chairman", the words "or the Deputy Chairman".

14. Article 1 of Section Ten of By-law "T" is amended by inserting after the words "the Chairman" where they occur in the first sentence, the words "the Deputy Chairman".

15. Article 2 of Section Ten is amended by inserting after the words "the Chairman" where they appear in the first and second paragraphs the words "the Deputy Chairman".